Y4.D62/1:99-11

WAIVE PERIOD OF CONGRESSIONAL REVIEW FOR REVENUE BONDS

ORIGINAL

HEARING AND MARKUPS

BEFORE THE

SUBCOMMITTEE ON FISCAL AFFAIRS AND HEALTH

AND THE

COMPLETED

COMMITTEE ON THE DISTRICT OF COLUMBIA HOUSE OF REPRESENTATIVES

NINETY-NINTH CONGRESS

FIRST SESSION

ON

H.R. 3671

TO WAIVE THE PERIOD OF CONGRESSIONAL REVIEW FOR CERTAIN D.C. ACTS AND BILLS AUTHORIZING THE ISSUANCE OF REVENUE BONDS

NOVEMBER 7 AND 13, 1985

Serial No. 99-11

Printed for the use of the Committee on the District of Columbia

U.S. GOVERNMENT PRINTING OFFICE

76-768 O WASHINGTON : 1986

For sale by the Superintendent of Documents, Congressional Sales Office
U.S. Government Printing Office, Washington, DC 20402

BEST COPY AVAILABLE

COMMITTEE ON THE DISTRICT OF COLUMBIA

RONALD V. DELLUMS, California, *Chairman*

WALTER E. FAUNTROY,
District of Columbia
ROMANO L. MAZZOLI, Kentucky
FORTNEY H. (PETE) STARK, California
WILLIAM H. GRAY III, Pennsylvania
MICHAEL D. BARNES, Maryland
MERVYN M. DYMALLY, California
ALAN D. WHEAT, Missouri

STEWART B. McKINNEY, Connecticut
STANFORD E. (STAN) PARRIS, Virginia
THOMAS J. BLILEY, Jr., Virginia
LARRY COMBEST, Texas

EDWARD C. SYLVESTER, Jr., *Staff Director*
JOHN GNOZSKI, *Minority Staff Director*

SUBCOMMITTEE ON FISCAL AFFAIRS AND HEALTH

WALTER E. FAUNTROY, District of Columbia, *Chairman*

RONALD V. DELLUMS, California
FORTNEY H. (PETE) STARK, California
WILLIAM H. (BILL) GRAY III, Pennsylvania

STEWART B. McKINNEY, Connecticut
STANFORD E. (STAN) PARRIS, Virginia
THOMAS J. BLILEY, Jr., Virginia

BEST COPY AVAILABLE

CONTENTS

Page

H.R. 3671 (by Mr. Fauntroy) to waive the period of congressional review for certain D.C. acts and bills authorizing the issuance of revenue bonds 2
H.R. 3718 (by Mr. Fauntroy) to waive the period of congressional review for certain D.C. acts authorizing the issuance of revenue bonds 46

HEARING AND MARKUPS

Subcommittee hearing and markup (H.R. 3671), November 7, 1985 1–44
Committee markup (H.R. 3718), a clean bill for H.R. 3671, November 13, 1985 45–52

STATEMENTS

Clarke, Hon. David A., chairman, D.C. City Council, presented by Richard C. Siegel, budget director 34
Fauntroy, Hon. Walter E., opening statement 5
Holman, Kwasi, executive director, Office of Business and Economic Development of the District of Columbia government, accompanied by Mr. Milton Bailey 21
Prepared statement with attachments 23
Whalen, Father John, executive director, Consortium of Universities of the Washington Metropolitan Area 30

COMMUNICATIONS

Consortium of Universities of the Washington Metropolitan Area, Rev. John P. Whalen, executive director, letter to Mr. Fauntroy, dated November 5, 1985 33
House Committee on Ways and Means, letter dated November 5, 1985, to Mr. Fauntroy from Mr. Dan Rostenkowski, chairman, with attachment 6
Lipson, Stephen H., president, District of Columbia Hospital Association, letter to Mr. Fauntroy, dated November 5, 1985 20

MATERIAL SUBMITTED FOR THE RECORD

House floor action on H.R. 3718 52

COPY AVAILABLE

HEARING AND MARKUP OF H.R. 3671

THURSDAY, NOVEMBER 7, 1985

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON FISCAL AFFAIRS AND HEALTH,
COMMITTEE ON THE DISTRICT OF COLUMBIA,
Washington, DC.

The subcommittee met, pursuant to notice, at 9 a.m., in room 1310, Longworth House Office Building, Hon. Walter E. Fauntroy (chairman of the subcommittee) presiding.

Present: Representatives Fauntroy and Bliley.

Also present: Edward C. Sylvester, Jr., staff director; Johnny Barnes, senior staff counsel; Julius Hobson, Jr., staff assistant; Donn G. Davis, senior legislative associate; John Gnorski, minority staff director; and Ronald P. Hamm, minority staff assistant.

[The bill, H.R. 3671, follows:]

BEST COPY AVAILABLE

99TH CONGRESS
1ST SESSION

H. R. 3671

To waive the period of Congressional review for certain District of Columbia acts and bills authorizing the issuance of revenue bonds.

IN THE HOUSE OF REPRESENTATIVES

NOVEMBER 1, 1985

Mr. FAUNTROY (for himself, Mr. DELLUMS, Mr. MCKINNEY, and Mr. BLILEY) introduced the following bill; which was referred to the Committee on the District of Columbia

---

A BILL

To waive the period of Congressional review for certain District of Columbia acts and bills authorizing the issuance of revenue bonds.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "District of Columbia Revenue Bond Act of 1985".

BEST COPY AVAILABLE

SEC. 2. WAIVER OF CONGRESSIONAL REVIEW PERIOD FOR CERTAIN DISTRICT OF COLUMBIA ACTS AND BILLS AUTHORIZING THE ISSUANCE OF REVENUE BONDS.

(a) WAIVER.—Section 602(c)(1) of the District of Columbia Self-Government and Governmental Reorganization Act shall not apply to certain acts and bills of the District of Columbia described in subsection (c) authorizing the issuance, sale, and delivery of revenue bonds.

(b) EFFECTIVE DATE OF ACTS AND BILLS.—Notwithstanding section 404(e) of the District of Columbia Self-Government and Governmental Reorganization Act and any provision in any District of Columbia act or bill described in subsection (c), any District of Columbia act described in subsection (c) shall take effect on the date of the enactment of this Act, and any District of Columbia bill described in subsection (c) shall take effect on the date of the enactment of this Act or the date of certification as an act of the District of Columbia, whichever occurs last.

(c) CERTAIN ACTS AND BILLS OF THE DISTRICT OF COLUMBIA AUTHORIZING THE ISSUANCE OF REVENUE BONDS.—The District of Columbia acts and bills authorizing the issuance, sale, and delivery of revenue bonds referred to in subsections (a) and (b) are as follows:

BEST COPY AVAILABLE

(1) The Georgetown University Higher Education Facilities Revenue Bond Act of 1985, District of Columbia bill 6-254.

(2) The George Washington University Revenue Bond Act of 1985, District of Columbia act 6-76, transmitted to the Speaker of the House and the President of the Senate October 3, 1985.

(3) The Sibley Memorial Hospital Revenue Bond Act of 1985, District of Columbia act 6-94, transmitted to the Speaker of the House and the President of the Senate October 23, 1985.

(4) The Washington Hospital Center Corporation Revenue Bond Act of 1985, District of Columbia act 6-92, transmitted to the Speaker of the House and the President of the Senate October 10, 1985.

BEST COPY AVAILABLE

Mr. FAUNTROY. The subcommittee will come to order.

The subject of our hearing and markup today, of course, is H.R. 3671, a bill introduced by myself and our colleagues, Mr. Dellums, Mr. McKinney, and Mr. Bliley. The bill seeks to waive the period of congressional review for certain District of Columbia acts and bills authorizing the issuance of revenue bonds. This bill is necessary because it is expected that major changes in the Internal Revenue Code affecting the issuance of municipal bonds will be enacted during the 99th Congress. A key feature of those changes is likely to be a provision which mandates different treatment of municipal bonds beginning January 1, 1986. Indeed, on October 25, the House Ways and Means Committee marked up a bill with that feature.

The District of Columbia is impacted in a special and unique way because under the Home Rule Act, after the local government has done all that it can and must do to pass a bond issue, that measure must then be transmitted to the Congress for a 30-legislative-day-review period. Because Congress will adjourn sometime in mid-December and because several locally enacted bond measures are pending that have not yet cleared the 30-day congressional layover period, I and my colleagues felt compelled to introduce H.R. 3671. Passage of this bill will ensure the Congress does not become an impediment to the issuance of certain bonds by the District of Columbia government.

This proposal that we put forth today has been crafted in consultation with the staff of the House Ways and Means Committee. Without objection, I would like at this time to submit for the record a letter dated November 5, 1985, from Congressman Dan Rostenkowski, chairman of the Ways and Means Committee. That letter is addressed to me. A copy of the letter is provided in each member's folder. In the letter, Chairman Rostenkowski states in pertinent part: "A waiver of the 30-day congressional review period for D.C. City Council enactments which authorize the issuance of revenue bonds"—would put—"these organizations in the same position as similar organizations domiciled in any one of the 50 States."

[The material follows:]

BEST COPY AVAILABLE

NINETY-NINTH CONGRESS
DAN ROSTENKOWSKI, ILLINOIS, CHAIRMAN
SAM M. GIBBONS, FLORIDA
J.J. PICKLE, TEXAS
CHARLES B. RANGEL, NEW YORK
FORTNEY H. (PETE) STARK, CALIFORNIA
JAMES R. JONES, OKLAHOMA
ANDY JACOBS, JR., INDIANA
HAROLD FORD, TENNESSEE
ED JENKINS, GEORGIA
RICHARD A. GEPHARDT, MISSOURI
THOMAS J. DOWNEY, NEW YORK
CECIL (CEC) HEFTEL, HAWAII
WYCHE FOWLER, JR., GEORGIA
FRANK J. GUARINI, NEW JERSEY
MARTY RUSSO, ILLINOIS
DON J. PEASE, OHIO
ROBERT T. MATSUI, CALIFORNIA
BERYL ANTHONY, JR., ARKANSAS
RONNIE G. FLIPPO, ALABAMA
BYRON L. DORGAN, NORTH DAKOTA
BARBARA B. KENNELLY, CONNECTICUT
BRIAN J. DONNELLY, MASSACHUSETTS
WILLIAM J. COYNE, PENNSYLVANIA
JOHN J. DUNCAN, TENNESSEE
BILL ARCHER, TEXAS
GUY VANDER JAGT, MICHIGAN
PHILIP M. CRANE, ILLINOIS
BILL FRENZEL, MINNESOTA
RICHARD T. SCHULZE, PENNSYLVANIA
BILL GRADISON, OHIO
W. HENSON MOORE, LOUISIANA
CARROLL A. CAMPBELL, JR., SOUTH CAROLINA
WILLIAM M. THOMAS, CALIFORNIA
RAYMOND J. MCGRATH, NEW YORK
HAL DAUB, NEBRASKA
JUDD GREGG, NEW HAMPSHIRE
JOSEPH K. BOWLEY, CHIEF COUNSEL
W. KENNETH BOWLER, DEPUTY CHIEF OF STAFF
ROBERT J. LEONARD, CHIEF TAX COUNSEL
A.L. SINGLETON, MINORITY CHIEF OF STAFF

COMMITTEE ON WAYS AND MEANS

U.S. HOUSE OF REPRESENTATIVES
WASHINGTON, DC 20515

November 5, 1985

The Honorable Walter E. Fauntroy
Chairman, Subcommittee on Fiscal
Affairs and Health
Committee on the District of Columbia
U. S. House of Representatives
2135 Rayburn Building
Washington, D. C. 20515

Dear Mr. Chairman:

Pursuant to request, I am happy to provide you with the following information.

On October 25, 1985, the Committee on Ways and Means took action designed to curtail the tax-exempt status of state and local government bonds used to finance nongovernmental activities, including activities by charitable organizations covered by section 501(c)(3) of the Internal Revenue Code. I have attached a copy of the announcement of committee action taken that day, with the portion dealing with bonds for charitable organizations highlighted. As is noted in that announcement, the committee decided that the new provisions should be effective with respect to bonds issued after December 31, 1985.

As I understand it, there is a unique timing problem facing the issuance of bonds in the District of Columbia. It is possible that certain bond proposals which have already cleared the D. C. City Council will not be able to be issued this year. The problem stems from the requirement that all laws enacted by the City Council must lay over for thirty (Congressional) legislative days before they go into effect. It is probable, and certain in at least one case, that the thirty days will not expire until it is too late for the bonds to be issued by the proposed deadline.

BEST COPY AVAILABLE

A waiver of the thirty-day Congressional review period for D. C. City Council enactments which authorize the issuance of revenue bonds for charitable organizations would give the organizations involved the opportunity to issue their bonds forthwith, putting these organizations in the same position as similar organizations domiciled in any one of the fifty states. The date by which such enactments must be certified to the Congress could be any date certain, such as the date of enactment of the waiver, as long as it is before January 1, 1986.

I hope that this information is useful to you. Please let me know if there is any further information you require.

With best wishes, I am

Sincerely yours,

Dan Rostenkowski
Chairman

DR/tsm

Enclosure

BEST COPY AVAILABLE

FOR IMMEDIATE RELEASE
WEDNESDAY, OCTOBER 30, 1985

PRESS RELEASE #23-A
COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES
1102 LONGWORTH HOUSE OFFICE BUILDING
WASHINGTON, D.C. 20515
TELEPHONE: (202) 225-3625

THE HONORABLE DAN ROSTENKOWSKI (D., ILL.), CHAIRMAN, COMMITTEE ON WAYS AND MEANS, U.S. HOUSE OF REPRESENTATIVES, ANNOUNCES COMMITTEE ACTION TAKEN ON OCTOBER 25, 1985, ON COMPREHENSIVE TAX REFORM

The Honorable Dan Rostenkowski (D., Ill.), Chairman, Committee on Ways and Means, U.S. House of Representatives, announced initial Committee action on Friday, October 25, 1985, on agriculture, small business, and tax-exempt bonds. The Committee emphasized that these decisions are tentative and may be revisited at any time.

The provisions initially agreed to by the Committee are as follows:

I. Agriculture

A. Soil, Water and Wetlands Conservation:

1. Expenditures by Farmers for Clearing Land: Under present law, farmers may elect to deduct expenditures incurred for the purpose of clearing land to make such land suitable for farming. The Committee agreed to repeal this provision, but would retain a business deduction for land clearing expenditures for ordinary maintenance related to land already used in farming. This provision would be effective for expenditures made on or after January 1, 1986.

2. Soil and Water Conservation Expenditures: Under present law, farmers may deduct certain qualified expenditures incurred for the purpose of soil or water conservation. The Committee agreed to limit the deduction to amounts incurred for conservation activities in connection with a plan approved by the Soil Conservation Service of the U.S. Department of Agriculture or a comparable State authority. Expenditures for general earth moving, filling of wetlands, and land preparation for center pivot irrigation would not be deductible. The provision would be effective for expenditures made on or after January 1, 1986.

3. Sale or Disposition of Certain Agricultural Land: Under present law, taxpayers are permitted capital gains treatment on the sale or disposition of certain highly erodible rangelands and wetlands used in farming. Under the proposal, any gain which is currently treated as capital gains under IRC section 1231, realized from the disposition of highly erodible land or wetlands converted to farming use (other than the sustenance of livestock) after December 31, 1985, would be taxed as ordinary income. Highly erodible land would be defined in a manner similar to the "sodbuster" and "swampbuster" provisions of H.R. 2100, the pending farm legislation. The provision would be effective for agricultural lands converted from use as rangeland and wetlands on or after January 1, 1986.

B. Preproduction Period Expenditures: Under the President's proposal, farmers would be required to capitalize production costs for plants and animals having a preproduction period of 2 years or more. These costs may be expensed under present law. The Committee agreement would continue to permit farmers, including producers of nursery stock and Christmas trees, but not timber, to elect to treat these costs as a deduction, subject to

BEST COPY AVAILABLE

the current rules for farming corporations. Certain nonfamily-owned farming corporations and farm syndicates could not make the election. If the election is made, a recapture rule would tax gain from the sale or disposition of the product as ordinary income to the extent of prior deductions. In addition, straight line depreciation would be required for all farm assets used by the taxpayer. In addition, the preproduction expenses attributable to replanting or restocking of edible or food producing plants destroyed by freezing, disease, drought, pests, or other casualty would be deductible without regard to whether an expensing election is in effect. The effective date for this provision would be January 1, 1986.

C. Cash Method of Accounting: The present-law rules on cash accounting for farmers, including producers of nursery stock and Christmas trees, but not timber, would be retained.

D. Single Purpose Agricultural Structures: The classification of single purpose agricultural structures will be specifically designated by the Committee when a depreciation system is agreed to.

E. Alternative Minimum Tax for Insolvent Farmers: The gain on disposition of farmland by a taxpayer who is insolvent under IRC section 108 would not be treated as a preference item under the alternative minimum tax if--

(a) fifty percent or more of the average annual gross income of the taxpayer during the preceding three years was derived from farming;

(b) all of the proceeds from the disposition were applied in satisfaction of indebtedness of the taxpayer; and

(c) the taxpayer disposed of 90 percent or more of the farmland held by him as of the beginning of the taxable year in which the disposition occurred.

This provision would be effective from January 1, 1985, through December 31, 1989.

F. Netting for Cooperatives: The provisions of the Senate budget reconciliation bill (S. 1730) relating to netting by cooperatives would be adopted. Cooperatives would be permitted to net patronage earnings and losses (including losses carried over from previous years) on a discretionary basis for purposes of determining the amount of "net earnings" out of which patronage dividends are paid. Notification of patrons affected by the practice of netting would be required.

G. Capital Gains Treatment for Plant Variety Protection Certificates: A certificate issued pursuant to the Plant Variety Protection Act for a sexually propagated plant variety would be treated in the same manner as a patent. Thus, gain on the sale of such a certificate would generally be treated as capital gain.

II. Small Business

A. Reduced Rates: The Committee agreed to the following schedule of corporate tax rates:

Taxable Income	Corporate Tax Rate
0-$50,000	15 percent
$50,000-$75,000	25 percent
Over $75,000	35 percent

B. Surtax Exclusion Phase-Out: The graduated corporate rates would be phased out for corporations with taxable income in excess of $100,000 by imposing an additional 5-percent tax on income between $100,000 and $350,000.

BEST COPY AVAILABLE

C. Revised Simplified LIFO: A method of inventory accounting for small businesses was agreed to which provides an election to determine ending LIFO inventories using either the 15 general categories of the Producers Price Index, or the 11 general categories of the Consumer Price Index for businesses with $5 million annual gross receipts or less. The method assigns inventory to separate pools for each of the categories. The LIFO computation would apply the change in the published index for the category to the pool and determine LIFO layers using the link-chain technique.

D. Small Business Capital Formation Tax Credit: A 20-percent credit would be provided for manufacturing businesses with sales up to $25 million. The credit would phase down for businesses between $20 and $25 million in sales. The credit would be 20 percent of the percentage of increase in gross sales of the small business. For example, if the sales of a business increased by 80 percent in a year, its credit would be 16 percent (.20 x .80), so that its tax liability would be reduced by 16 percent. Base period amounts would be adjusted for inflation to determine increased sales. Special rules would apply in the case of acquisition or merger.

The benefit attributable to the credit would be fully recaptured over a three-year period, and a 9-percent simple interest rate would be used, when a corporation's sales reached $50 million. The credit would be reduced by the amount of dividends paid for the year. In order to qualify for the credit, the compensation of the top 5 percent of the corporation's employees could not exceed 150 percent of the average salary paid to that class of employees in that industry as calculated by the Department of Commerce.

[illegible] Tax-Exempt Bonds

A. General Restrictions on Tax-Exemption: Under present law, the interest on State and local government bonds used to finance government operations is tax-exempt. Interest on State and local government bonds is taxable (1) if more than 25 percent of bond proceeds is used in a trade or business of a nonexempt person and repayment is secured by income from property used in such trade or business (IDBs), or (2) 5 percent or more of bond proceeds is used to finance (directly or indirectly) loans to persons other than State or local governments or [illegible] organizations (private loan bonds). Exceptions to (1) are provided for certain exempt activities, for small issue IDBs, and industrial parks. Exceptions to (2) are provided for IDBs, mortgage subsidy bonds, student loan bonds, and tax assessment bonds.

The Committee agreed to define bonds as nongovernmental if an amount in excess of the lesser of (1) 10 percent or $10 million were used in a trade or business of any person (including a [illegible] organization) other than a governmental unit, or (2) 5 percent or $5 million were used to make loans to a person (including a [illegible] organization) other than a governmental unit. The definition of tax assessment bonds would be expanded to permit loans to persons engaged in a trade or business. Interest on nongovernmental bonds would be taxable unless described in B (below) and issued in accordance with the volume limitations described in E.

[illegible] Nongovernmental Activities Eligible to be Financed With Tax-Exempt Bonds:

1. Multifamily Rental Housing: (New targeting rules agreed to by the Committee on October 26, 1985, will be described in a subsequent press release.)

2. Airports defined as governmentally-owned ground facilities directly related to the transportation by air of passengers and freight (includes runways, air traffic control

BEST COPY AVAILABLE

facilities, terminal facilities, public parking facilities, airline lounges and freight handling facilities but not hotels, food preparation facilities, restaurants, gift stores and other commercial facilities located at an airport.)

3. Ports defined as governmentally-owned dock and wharf facilities (including dredging) directly related to the transporation of passengers and cargo by water but does not include storage warehouses used other than in immediate transportation of cargo.

4. Mass Commuting Facilities as defined by present law, if governmentally owned.

With respect to airports, ports, and mass commuting facilities, the present law rules with respect to land acquisition would be retained.

5. Sewage and Solid Waste Disposal Facilities as defined by present law, whether governmentally or privately owned and/or operated.

6. Facilities for the Furnishing of Water (other than for irrigation) as defined by present law, if governmentally owned and either operated by a governmental unit or for which rates are governmentally established.

7. Small Issue IDBs (including "aggie" bonds) as defined in present law. Present law sunset dates would be repealed.

8. Qualified Student Loan Bonds as defined in present law and supplemental student loan bonds.

9. Qualified Mortgage Bonds (see D for changes in definition). Present law sunset on December 31, 1987, would be retained.

10. Qualified Veterans' Mortgage Bonds as defined in present law, except that 100 percent of lendable proceeds would have to be used to finance qualified mortgages. Present law sunset provisions would be retained.

11. Veterans' Land Bonds as defined in present law. The present law sunset provision would be repealed.

12. Section 501(c)(3) Charitable Organizations except that the outstanding amount of tax-exempt bonds issued on behalf of any one organization, other than a hospital, could not exceed $150 million. A governmental entity, such as a State university, that also has a 501(c)(3) determination would not be subject to the $150 million limit or the volume limitation described below with respect to its activities as an agent of the State. A bond issued on behalf of a hospital owned by a private university would not count toward the $150 million limit. Property financed with bonds issued for a 501(c)(3) organization would have to be owned, under Federal income tax rules for determining the tax owner of property, by the 501(c)(3) organization. Only activities directly related to the exempt purpose of the organization could be financed (for example, a hospital could not finance a doctors' office building), and all bond proceeds (other than costs of issuance and proceeds invested in a reasonably required debt service reserve fund) would be required to be used for such activities.

The test for governmental ownership under items 2, 3, 4, and 6 would be determined under Federal income tax rules for determining the tax owner of property. Privately-owned property financed with nongovernmental bonds for sewage and solid waste facilities and small issue IDBs and any nongovernmental property

BEST COPY AVAILABLE

financed with governmental bonds under the 5 and 10 percent rules of III.A. would be depreciated using the straight line method over longer than normal recovery periods. In general, tangible personal property so financed would be assigned to the next succeeding class and real property would be depreciated over 40 years. (Depreciation rules for multifamily rental property will be described in a subsequent press release.)

C. Nongovernmental Activities Ineligible to be Financed With Tax-Exempt Bonds: Pursuant to the Committee agreement, the following nongovernmental activities eligible to be financed with tax-exempt bonds under present law would no longer be eligible.

1. Sports facilities,

2. Convention or trade show facilities,

3. Parking facilities (except airport public parking),

4. Facilities for the local furnishing of gas and electricity by investor-owned utilities,

5. District heating or cooling facilities,

6. Air or water pollution control facilities,

7. Industrial parks.

D. Qualified Mortgage Bonds: Under present law, tax-exempt bonds may be used to finance mortgages on single-family owner-occupied residences. At least 90 percent of the lendable proceeds of each issue must be used to finance loans to first-time homebuyers. (The first-time homebuyer rule does not apply in certain targeted areas.) The purchase price of bond-financed residences may not exceed 110 percent (120 percent in targeted areas) of average area purchase prices. Issuers must publish and submit to the Treasury Department annual reports of their policies on the use of bond proceeds. The Committee agreed to modify these targeting rules as follows:

1. All lendable proceeds would be required to be used to finance residences for eligible homebuyers;

2. The purchase price limits would be reduced to 90 percent (110 percent in targeted areas) of area average purchase prices; and

3. Income limitations would be imposed on otherwise eligible homebuyers. These limitations follow those passed by the House in 1980, but not enacted.

At least 50 percent of the mortgage loans made would be required to be made to borrowers whose family income did not exceed 90 percent of area median income, and all such loans would be required to be made to borrowers whose income did not exceed 115 percent of area median income.

In targeted areas, one-third of the loans would have to be made to borrowers without regard to the above income limits; the balance of the loans would have to be made to mortgagors having incomes not exceeding 140 percent of the greater of--

a. The median income for the area in which the residence was located, or

b. The Statewide median income for the State in which the residence was located.

The annual report requirement would be repealed. The new targeting rules would also apply to mortgage credit certificates (MCCs) which, as under present law, may be issued in lieu of bond

BEST COPY AVAILABLE

issuance. As under present law, authority to issue mortgage bonds would expire on December 31, 1987. The new targeting rules would not apply to loans made (or MCCs issued) with respect to bonds issued (or authority exchanged) before January 1, 1986.

E. Volume Limitations: Under present law, the volume of certain types of nongovernmental bonds is subject to annual limitations as follows:

1. IDBs (with the exception of governmentally-owned airport, port and convention and trade show facilities, and multi-family rental housing) and student loan bonds issued in each State are limited to the greater of $200 million or $150 per capita;

2. Qualified mortgage bonds issued in each State are limited to the greater of $200 million or 9 percent of the average annual volume of single family mortgages originated in the State over the prior three years; and

3. The five States permitted to issue qualified veterans' mortgage bonds are limited each year to amounts based on their 1979 to 1984 issuance.

The Committee agreed to subject nongovernmental bonds issued in each State to an annual limitation equal to the greater of $200 million or $175 per capita (reduced to $125 per capita beginning in 1988 to reflect the termination of mortgage subsidy bond authority). Excepted from the limitation are bonds for airport facilities (other than freight-handling facilities) and port facilities (other than storage facilities eligible for bond financing under the agreement). The nongovernmental portion of the issue in excess of $1 million of governmental bonds under the 10- and 5-percent rules of III.A. would also be subject to these limitations.

~~A portion of the aggregate limit equal to $25 per capita would be reserved for 501(c)(3) organizations.~~ Of the remaining amount, one-half would be set aside for housing bonds (multifamily rental and owner-occupied) unless modified by State statute. The $25 per capita set aside for 501(c)(3) organizations could not be modified by gubernatorial authority or State statute. (More than $25 per capita could be issued for 501(c)(3) organizations provided the 50-percent set aside for housing is not breached.) Of the amount set aside for housing, one-third would be reserved for multifamily housing, one-third for owner-occupied housing, and one-third would be subject to gubernatorial discretion. (This rule would apply unless the governor proclaimed a different allocation mechanism under the temporary authority provided by the agreement.)

Rules similar to those of present law would apply with respect to the allocation of bond authority between State and local issuers under the one-third, one-third, one-third rule for housing bonds and for nonhousing bonds, including bonds for 501(c)(3) organizations. Present law rules with respect to constitutional home rule cities would be retained. The allocation rules of the tax code would apply in the absence of a State statute or gubernatorial proclamation.

Gubernatorial authority, and any allocation mechanism proclaimed under this authority, would expire before January 1 of the year following the next year during which the State legislature meets in regular session following date of enactment. If no timely statute were enacted, the one-third, one-third, one-third rule would apply until modified by statute.

Under present law, unused bond authority under the IDB-student loan cap may be carried over up to three years for specific exempt-activity IDB projects or student loans. Under the

BEST COPY AVAILABLE

agreement, the present law rule would be retained but modified by permitting identified 501(c)(3) projects and qualified mortgage bond issues or qualified veterans' mortgage bond issues to be eligible for carryover.

F. Miscellaneous Restrictions on Nongovernmental Bonds:

1. Under present law, only 90 percent of IDB proceeds are required to be used for the purpose of the bond issue; the remaining 10 percent may be used for any purpose. In the case of exempt-activity IDBs, all property that is "functionally related and subordinate to" the exempt activity may be financed with bond proceeds and counts towards satisfaction of the 90-percent requirement.

Under the agreement, all proceeds of nongovernmental bonds for exempt facilities (other than costs of issuance and proceeds invested in a reasonably required debt service reserve fund) would be required to be used for the activity qualifying the interest on the bonds for tax-exemption. Bonds in excess of the volume actually used for the activity qualifying for tax-exempt financing would be required to be called for redemption within 30 days after acquisition of bond-financed property or 30 days after construction was more than 90 percent completed.

2. Under present law, three additional restrictions apply to IDBs:

a. The weighted average maturity of IDBs may not exceed 120 percent of the economic life of the bond-financed property;

b. Interest on IDBs generally is taxable if more than 25 percent of the proceeds of an issue is used to acquire land. Acquisition of existing property may not be financed with tax-exempt IDBs unless a rehabilitation requirement is satisfied; and

c. IDBs may be issued only after the issuer holds a public hearing and the bonds are approved by an elected local official. Alternatively, issuance of the bonds may be approved by a voter referendum.

Under the agreement, these restrictions would be extended to all nongovernmental bonds except that a. and b. will not apply to mortgage subsidy bonds, student loan bonds, veterans' land bonds and tax assessment bonds.

3. Under present law, tax-exempt bonds generally are not required to be redeemed if the use of bond-financed property changes from a use that qualifies interest on the bonds for tax-exemption to a nonqualified use.

Under the agreement, a change in the use of bond-financed property to a use not qualifying for tax-exempt financing generally would result, in addition to certain present law consequences, in the following:

a. Exempt facility bonds where the property is governmentally owned.--Rent and other user charges paid by any nongovernmental party using the property in a use that was not qualified for tax-exempt financing would not be deductible for Federal tax purposes during the period of nonqualifying use.

b. Section 501(c)(3) organization bonds.--The section 501(c)(3) organization would realize unrelated business income in an amount equal to interest incurred on the bond financing during the period of nonqualified use. No offsetting deduction for rent or interest with respect to the property would be permitted.

BEST COPY AVAILABLE

c. Privately owned exempt-facility property and residences financed with mortgage subsidy bond loans.--Interest incurred with respect to bond-financed loans would be nondeductible for Federal tax purposes during the period of the nonqualified use. In the case of single-family housing, interest would be nondeductible only if the mortgagor failed to use the housing as a principal residence for a period in excess of 1 year.

4. The present law rule that each person allocating bond authority under the IDB volume limitations must certify that the allocation is not made in consideration of any bribe, gift, or campaign contribution would be repealed.

G. Arbitrage Restrictions: Under present law, the following arbitrage restrictions are applicable:

1. General restrictions applicable to all tax-exempt bonds:

a. Profit limitations.--If bond proceeds are reasonably expected to be invested in other securities (other than tax-exempt bonds) having a yield that is materially higher than the yield on the bonds, bond interest is taxable. The amount of permitted arbitrage earnings depends on whether the bond proceeds are invested in obligations related to the purpose of the borrowing or in other, nonpurpose obligations, and whether the issuer elects to earn unlimited arbitrage profits for certain temporary periods.

b. Exceptions.--(1) Investments not exceeding a minor portion (15 percent) of bond proceeds in materially higher yielding obligations. (A reasonably required debt service reserve fund is the most important example of the use of this exception.) (2) Investments during a temporary period prior to use for the purpose of the borrowing. (Generally, this temporary period may not exceed 3 years.)

c. Determination of bond yield.--Bond yield is interpreted to mean the discount rate at which all anticipated payments of principal and interest on the bonds equals the net proceeds of the issue after deducting the costs of issuance. (This deduction of issuance costs permits bond issuers to earn a higher yield on the investment of bond proceeds, and thereby to pay issuance costs out of arbitrage profits.)

d. Restrictions on early issuance of bonds.--Under present law no separate rules require that bond proceeds be spent within a specified period following issuance; however, issuers are required to proceed with "due diligence" to realize the governmental purpose of the borrowing.

2. Additional restrictions for most IDBs:

a. Profit limitations.--IDBs (other than IDBs for multifamily rental housing) are subject to the following additional arbitrage restrictions:

(1) The amount of bond proceeds that may be invested at unrestricted yield in obligations unrelated to the purpose of the borrowing is limited to 150 percent of scheduled annual debt service; and

(2) The gross earnings on each issue of bonds must be rebated to the Federal Government at specified intervals.

b. Exceptions.--The restriction on investment in nonpurpose obligations (item 1, above) does not apply to investments for an initial temporary period or to certain investments for temporary periods related to current debt service (as opposed to reserve funds for future debt service).

BEST COPY AVAILABLE

The rebate requirement does not apply if all bond proceeds are spent for the governmental purpose of the issue within 6 months of issuance of the bonds or to certain debt service funds on which less than $100,000 is earned in a bond year.

c. Determination of bond yield.--Bond yield is determined using the original issue discount rules of the Code. (Thus, costs of issuance may not be recovered out of arbitrage profits.)

3. Additional restrictions for qualified mortgage bonds:

a. Profit limitations.--The effective rate of interest on mortgage loans provided with qualified mortgage bonds may not exceed the yield on the issue by more than 1.125 percentage points.

Investment of qualified mortgage bond proceeds in obligations unrelated to the purpose of the borrowing is restricted in a manner similar to that for most IDBs. Additionally, arbitrage profits must be rebated to the Federal Government or paid or credited to the mortgagors.

b. Exceptions.--Exceptions similar to those of the additional restrictions on most IDBs are provided.

c. Determination of bond yield.--Bond yield is determined using the original issue discount rules of the Code. (Thus, costs of issuance may not be recovered out or arbitrage profits.)

Under the agreement, present-law artibtrage rules would be modified as follows:

1. The reasonable expectation test would be clarified so that it does not protect intentional acts to create arbitrage.

2. The restriction on investment in higher yielding obligations would be expanded to include investment in annuity contracts and other property held for investment. (This rule would ensure that purchase of third party contracts to fund pension plans or other deferred payment arrangements would be subject to yield restrictions in the same manner as direct funding of these arrangements.) This rule would be effective for bonds issued after September 25, 1985.

3. The right to elect to earn higher arbitrage profits over the entire term of the bonds by foregoing a temporary period when unlimited arbitrage is permitted would be repealed. Temporary periods during which unlimited arbitrage is permitted would be restricted as follows:

a. A 30-day temporary period would be permitted for bonds used to finance acquisitions.

b. For construction projects, the temporary period would end on the earlier of the date--

(i) The project was substantially completed;

(ii) An amount equal to bond proceeds had been spent on the project; or

(iii) Three years after the earlier of the bonds were issued or the date construction on the project began.

The allowable temporary period for bonds used for mixed acquisition/construction projects would be determined separately with respect to the portion of the bond proceeds used for each activity.

BEST COPY AVAILABLE

4. The minor portion rule would be repealed but the exception for reasonably required debt service reserve funds would be retained.

5. Bond yield for all tax-exempt bonds would be determined as under the present-law additional restrictions for most IDBs.

6. The present-law restrictions on investment of bond proceeds in obligations unrelated to the purpose of the borrowing and the rebate requirements applicable to most IDBs would be extended to all tax-exempt bonds other than mortgage subsidy bonds. Qualified mortgage bonds would remain subject to the present-law arbitrage and rebate requirement that applies to those bonds in lieu of other restrictions. These rules would be extended to qualified veterans' mortgage bonds.

7. Five percent or more of bond proceeds would be required to be spent for the purpose of the borrowing within 30 days after bond issuance. All bond proceeds (other than costs of issuance and amounts in a reasonably required reserve fund) would have to be spent no later than 3 years after bond issuance. Treasury would be permitted to extend the 30-day or 3-year period during which bond proceeds were required to be spent in cases where undue hardship otherwise would result (e.g., where delay results from events such as Acts of God).

H. Advance Refunding: Under present law, tax-exempt bonds other than IDBs and mortgage subsidy bonds may be advance refunded. IDBs and mortgage subsidy bonds may not be refunded more than 180 days before the refunded bonds are called for redemption. An exception waives this 180-day rule in the case of refunded bonds having a maturity of less than 3 years.

Under the agreement, no advance refunding of nongovernmental bonds would be permitted. Advance refunding of governmental bonds would be permitted subject to the following limitations:

1. Each original issue of bonds could be advance refunded no more than two times;

2. Unless the present value of interest savings exceeded the cost of issuance the amount of refunding bonds could not exceed 250 percent of the amount of the refunded bonds;

3. Refunded bonds would have to be called for redemption no later than the earlier of the date they could be redeemed at par or at a premium of 3 percent or less;

4. Any temporary period during which unlimited arbitrage profit could be earned would end 30 days after the date of issue for advance refunding bonds and no later than the date of issuance of the advance refunding bonds for the refunded bonds; and

5. Advance refunding bonds would be subject to the State volume limitations to the extent of amounts attributable to any nongovernmental use of the refunded bonds that exceeded $1 million.

I. Information Reporting: Under present law, issuers of private activity bonds (defined as IDBs, student loan bonds, and bonds for section 501(c)(3) organizations) and mortgage subsidy bonds are required to report certain information about volume and users of bond-financed facilities to Treasury.

Under the agreement, information reporting requirements similar to the present law rules would be extended to all tax-exempt bonds.

BEST COPY AVAILABLE

J. General Stock Ownership Corporations: The present law provision (Subchapter U of the Internal Revenue Code) would be repealed as deadwood effective January 1, 1984.

K. Effective Dates: In general the provisions agreed to would be effective with respect to bonds issued after December 31, 1985.

A transition rule would apply to:

1. The governmental use rule (5- and 10-percent rules) of III.A.;

2. Bonds denied tax-exempt status under III.C.;

3. The government ownership rule of III.B.2, 3, 4, and 6;

4. The restrictions on tax-exempt bonds for 501(c)(3) organizations of III.B.12 and III.P.2.a and by and

5. The volume limitations of III.E., subject to a carryforward election filed by October 31, 1985, in the case of bonds subject to the present law volume limitation.

This transition rule would apply to obligations with respect to facilities if--

(1) The original use of the facilities commences with the taxpayer and the construction, reconstruction, or rehabilitation of which began before September 26, 1985, and the facilities are completed on or after that date; or

(2) A binding contract to incur significant expenditures with respect to the facilities was entered into before September 26, 1985, and part or all of such expenditures were incurred on or after that date.

Significant expenditures would be defined as expenditures in excess of 10 percent of the estimated cost of the facility. Facilities eligible for the exception would be defined as property for which bond financing was approved by a governmental unit (or by voter referendum) before September 26, 1985.

This transition rule would apply to refunding bonds if the refunded bonds were issued before January 1, 1986 (including a series of refundings), and the refunded bonds are tax-exempt under present law, but could not be originally issued under the agreement. The amount of such refunding bonds could not exceed the outstanding amount of the refunded bonds. Additionally, the refunding bonds (or series of refundings) could not have a maturity date later than the date which is the later of 120 percent of the economic life of the property identified as being financed with the original (refunded) bonds when issued or 15 years after issuance of the original bonds. This rule would not change the present-law restriction on refunding private loan bonds issued before July 18, 1984.

* * * * * * * * * * *

BEST COPY AVAILABLE

Mr. FAUNTROY. H.R. 3671 is directed at four proposed bond issues. Each of the proposed issues has been passed by the D.C. City Council and must clear the review period. Each of the issues is for nonprofit organizations. I am aware that there is another nonprofit organization, American University, with a proposed bond issue that has yet to clear the D.C. Council, and we will undertake to accommodate that measure once it clears the council.

I am also aware that there may be certain for-profit bond proposals that will clear the D.C. Council before December 31, 1985, and I hope the city can inform us of those today. It is my view that, where possible, every effort should be made to ensure that the city's bond proposals, passed before the December 31 trigger date, whether profit or nonprofit, are not impeded because of the 30-day review period.

The solution that we offer in H.R. 3671 is at best cosmetic. The real problem, of course, is that no government should have to run its business in the way the District of Columbia government is forced to run its affairs. Bond issues in particular, which are delicate and market sensitive, should not be exposed to the last vestiges of congressional control over the District. The ideal solution to this problem would be to eliminate the review period altogether, or at least eliminate it for bond proposals. Unfortunately, the current climate on the Hill, combined with the urgency of the situation upon us, does not permit proper resolution and, inevitably, will likely present this kind of problem to us again.

Today we will hear from a representative from the Mayor's office, a representative from the D.C. Council chairman's office, and from Father Whalen, representing the Consortium of Universities of the Washington metropolitan area. Father Whalen will speak for the local universities that might be negatively affected if H.R. 3671 is not enacted. Before I call on the Mayor's representative and, without objection, I would like to enter into the record a letter from Mr. Stephen H. Lipson, the president of the District of Columbia Hospital Association.

[The material follows:]

BEST COPY AVAILABLE

DISTRICT
OF COLUMBIA
HOSPITAL
ASSOCIATION

1250 EYE STREET NW
SUITE 700
WASHINGTON, D.C.
20005-3922
(202) 682-1581

November 5, 1985

The Honorable Walter E. Fauntroy
U.S. House of Representatives
2135 Rayburn House Office Building
Washington, D.C. 20515

Dear Congressman Fauntroy:

This letter concerns an urgent request for your support on a matter of key importance to certain District of Columbia hospitals.

As you know, some D.C. institutions are currently proceeding through normal channels for tax exempt financing with the District of Columbia Office of Business and Economic Development and legislation passed by the District of Columbia Council. The timing of these procedures is critical. In the words of an oft-used cliche, "Time is money."

As the year draws to a close and Congressional recess looms ahead, the thirty-day review period for the D.C. legislation for the bonds would move the potential date of bond issuance well into 1986. Therefore, I am asking that you sponsor legislation to waive the thirty-day review period for routine bond issues (none has ever been challenged by the Congress) so that the institutions involved can move with dispatch toward bond closings and issuance.

I might add, that the District of Columbia Government will also benefit from this legislation in at least two ways: (1) the Government receives fees from the bond closings and waiver of the review period would advance the date on which these fees would be collected by the City, and (2) the public purposes of the financings--including the containment of health care costs--would be served.

Your assistance will be very much appreciated. Please call me if I can be of any help in this or any other matter of concern to your office.

Sincerely,

Stephen H. Lipson

Stephen H. Lipson
President

SHL/vap

BEST COPY AVAILABLE

Mr. FAUNTROY. In writing to me, Mr. Lipson on behalf of two of our local nonprofit hospitals that have proposed bond issues, urges enactment of legislation as reflected in H.R. 3671.

Prior to going to the witnesses, I would like to first thank my distinguished colleague, the ranking minority member, Mr. McKinney, for his kind support and understanding of the urgency of the situation. I would like to say the same with respect to Mr. Bliley, who has joined us in introducing this measure. Mr. McKinney, of course, for the record, is home in bed with flu symptoms and a fever of 102 degrees. So, we will miss him, but we certainly appreciate his support of our efforts here.

May I now call the first witness, Mr. Kwasi Holman, who is executive director of the Office of Business and Economic Development of the District of Columbia. Mr. Holman, it is a real pleasure to welcome you. We look forward to your testimony.

STATEMENT OF KWASI HOLMAN, EXECUTIVE DIRECTOR, OFFICE OF BUSINESS AND ECONOMIC DEVELOPMENT OF THE DISTRICT OF COLUMBIA GOVERNMENT, ACCOMPANIED BY MR. MILTON BAILEY

Mr. HOLMAN. Thank you, Mr. Chairman. Good morning.

I am accompanied by Milton Bailey, who is a member of my industrial revenue bond staff.

My name is Kwasi Holman. I am executive director of the Office of Business and Economic Development of the District of Columbia government. I am pleased to come before you this morning to testify on behalf of Mayor Barry and the executive branch concerning bill, H.R. 3671.

As you know, the District is authorized to issue revenue bonds pursuant to section 490 of the District of Columbia Self-Government and Governmental Reorganization Act of 1973, as amended. However, under section 602(c)(1) of that act, any revenue bond act adopted by the Council of the District of Columbia must undergo a congressional review period of 30 legislative days.

Unlike any other jurisdiction, the District has not been able to exercise its full authority to issue revenue bonds until recently due to impediments and limitations over which it had no control. As a result, since the inception of the District's Revenue Bond Program, only seven revenue bonds have been issued, six of which have been for the benefit of tax-exempt organizations.

We appreciate the initiative and foresight reflected in the introduction of H.R. 3671, and we fully support efforts to facilitate the issuance of revenue bonds by the District of Columbia. We are concerned, however, that H.R. 3671 does not provide the District with the ability to fully exercise its authority to issue revenue bonds.

Viewed against the backdrop of tax proposals currently pending in the Congress, the 30-day legislative review period creates unique problems for further implementation of the District's Revenue Bond Program. Unlike other issuing authorities, the District is unable to complete legislative authorization for the issuance of revenue bonds prior to the end of the year. Although the District has completed or will soon complete the local legislative process for various revenue bond issues well before the end of the year, bonds

BEST COPY AVAILABLE

cannot be issued for each of these transactions until the expiration of the 30-day review period, at which time the Bond Act becomes effective. In other jurisdictions, adoption of an inducement resolution or other similar official action by the local issuing authority is all that is necessary to permit immediate issuance of the bonds.

Bond issuing jurisdictions across the country will be approving and closing bond issues prior to the end of the year in order to avoid the effective date of the pending tax proposals. Unlike those jurisdictions, the District will be precluded from issuing bonds before the end of the year for beneficial projects because of the necessity of complying with the 30-day review process. Therefore, other bond issuing jurisdictions will have the ability to finance and will be financing projects the same or similar to projects the District will be precluded from financing because of the review period.

Although the District has under consideration a number of projects eligible under Federal and District law for revenue bond financing, H.R. 3671 only provides a waiver of the review period for four projects. The District believes that, while the projects for which H.R. 3671 waives the 30-day review period are certainly worthwhile and beneficial, other projects under consideration are also deserving of similar treatment. In view of the pending tax proposals, compliance with the 30-day review period will preclude issuance of bonds for those other projects in the absence of expansion of the relief intended to be provided by H.R. 3671. Attached is a recommended amendment to H.R. 3671 to provide for that expansion.

The District respectfully submits for consideration by the subcommittee the attached list of projects which we believe should benefit from the operation of any legislation that would waive the congressional review period of 30 legislative days. All of these projects, if approved for financing by any other issuing authority, could be financed with revenue bond issued by that authority by the end of the year.

Thank you for this opportunity to appear before you. I would be pleased to respond to any questions you may have.

[The prepared statement of Kwasi Holman follows:]

BEST COPY AVAILABLE

STATEMENT OF

MR. KWASI HOLMAN, EXECUTIVE DIRECTOR

OFFICE OF BUSINESS AND ECONOMIC DEVELOPMENT

OF THE DISTRICT OF COLUMBIA GOVERNMENT

BEFORE

THE SUBCOMMITTEE ON FISCAL AFFAIRS AND HEALTH OF THE COMMITTEE

ON THE DISTRICT OF COLUMBIA

REGARDING

THE "DISTRICT OF COLUMBIA REVENUE BOND ACT OF 1985"

H.R. 3671

NOVEMBER 7, 1985

1310 LONGWORTH HOUSE OFFICE BUILDING

9:00 A.M.

BEST COPY AVAILABLE

KWASI HOLMAN
9:00 A.M.
November 7, 1985
1310 Longworth House Office Building

GOOD MORNING, CHAIRMAN FAUNTROY AND MEMBERS OF THE SUBCOMMITTEE ON FISCAL AFFAIRS AND HEALTH. MY NAME IS KWASI HOLMAN; I AM THE EXECUTIVE DIRECTOR OF THE OFFICE OF BUSINESS AND ECONOMIC DEVELOPMENT OF THE DISTRICT OF COLUMBIA GOVERNMENT.

I WOULD LIKE TO THANK THE CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE FOR THE OPPORTUNITY TO APPEAR TODAY TO OFFER THE TESTIMONY OF THE EXECUTIVE BRANCH OF THE DISTRICT OF COLUMBIA ON H.R. 3671.

AS YOU KNOW, THE DISTRICT IS AUTHORIZED TO ISSUE REVENUE BONDS PURSUANT TO SECTION 490 OF THE DISTRICT OF COLUMBIA SELF-GOVERNMENT AND GOVERNMENTAL REORGANIZATION ACT OF 1973, AS AMENDED. HOWEVER, UNDER SECTION 602(c)(1) OF THAT ACT, ANY REVENUE BOND ACT ADOPTED BY THE COUNCIL OF THE DISTRICT OF COLUMBIA MUST UNDERGO A CONGRESSIONAL REVIEW PERIOD OF THIRTY LEGISLATIVE DAYS.

UNLIKE OTHER JURISDICTIONS, THE DISTRICT HAS NOT BEEN ABLE TO EXERCISE ITS FULL AUTHORITY TO ISSUE REVENUE BONDS UNTIL RECENTLY, DUE TO IMPEDIMENTS AND LIMITATIONS OVER WHICH IT HAD NO CONTROL. AS A RESULT, SINCE THE INCEPTION OF THE DISTRICT'S REVENUE BOND PROGRAM, ONLY SEVEN REVENUE BONDS HAVE BEEN ISSUED, SIX OF WHICH HAVE BEEN FOR THE BENEFIT OF TAX-EXEMPT ORGANIZATIONS.

BEST COPY AVAILABLE

WE APPRECIATE THE INITIATIVE AND FORESIGHT REFLECTED BY THE INTRODUCTION OF H.R. 3671, AND WE FULLY SUPPORT EFFORTS TO FACILITATE THE ISSUANCE OF REVENUE BONDS BY THE DISTRICT OF COLUMBIA. WE ARE CONCERNED, HOWEVER, THAT H.R. 3671 DOES NOT PROVIDE THE DISTRICT WITH THE ABILITY TO FULLY EXCERCISE ITS AUTHORITY TO ISSUE REVENUE BONDS.

VIEWED AGAINST THE BACKDROP OF TAX PROPOSALS CURRENTLY PENDING IN THE CONGRESS, THE THIRTY-DAY REVIEW PERIOD CREATES UNIQUE PROBLEMS FOR FURTHER IMPLEMENTATION OF THE DISTRICT'S REVENUE BOND PROGRAM. UNLIKE OTHER BOND ISSUING AUTHORITIES, THE DISTRICT IS UNABLE TO COMPLETE LEGISLATIVE AUTHORIZATION FOR THE ISSUANCE OF REVENUE BONDS PRIOR TO THE END OF THE YEAR. ALTHOUGH THE DISTRICT HAS COMPLETED OR SOON WILL COMPLETE ITS LOCAL LEGISLATIVE PROCESS FOR VARIOUS REVENUE BOND ISSUES WELL BEFORE THE END OF THE YEAR, BONDS CANNOT BE ISSUED FOR EACH OF THOSE TRANSACTIONS UNTIL THE EXPIRATION OF THE THIRTY-DAY REVIEW PERIOD, AT WHICH TIME THE BOND ACT BECOMES EFFECTIVE. IN OTHER JURISDICTIONS, ADOPTION OF AN INDUCEMENT RESOLUTION OR OTHER SIMILAR OFFICIAL ACTION BY THE LOCAL ISSUING AUTHORITY IS ALL THAT IS NECESSARY TO PERMIT IMMEDIATE ISSUANCE OF BONDS.

BEST COPY AVAILABLE

BOND ISSUING JURISDICTIONS ACROSS THE COUNTRY WILL BE APPROVING AND CLOSING BOND ISSUES PRIOR TO THE END OF THE YEAR IN ORDER TO AVOID THE EFFECTIVE DATE OF THE PENDING TAX PROPOSALS. UNLIKE THOSE JURISDICTIONS, THE DISTRICT WILL BE PRECLUDED FROM ISSUING BONDS BEFORE THE END OF THE YEAR FOR BENEFICIAL PROJECTS BECAUSE OF THE NECESSITY OF COMPLYING WITH THE THIRTY-DAY REVIEW PROCESS. THEREFORE, OTHER BOND ISSUING JURISDICTIONS HAVE THE ABILITY TO FINANCE, AND WILL BE FINANCING, PROJECTS THE SAME AS OR SIMILAR TO PROJECTS THE DISTRICT WILL BE PRECLUDED FROM FINANCING BECAUSE OF THE THIRTY-DAY REVIEW PERIOD.

ALTHOUGH THE DISTRICT HAS UNDER CONSIDERATION A NUMBER OF PROJECTS ELIGIBLE UNDER FEDERAL AND DISTRICT LAW FOR REVENUE BOND FINANCING, H.R. 3671 ONLY PROVIDES A WAIVER OF THE REVIEW PERIOD FOR FOUR PROJECTS. THE DISTRICT BELIEVES THAT WHILE THE PROJECTS FOR WHICH H.R. 3671 WAIVES THE THIRTY-DAY REVIEW PERIOD ARE CERTAINLY WORTHWHILE AND BENEFICIAL, OTHER PROJECTS UNDER CONSIDERATION ARE ALSO DESERVING OF SIMILAR TREATMENT. IN VIEW OF THE PENDING TAX PROPOSALS, COMPLIANCE WITH THIRTY-DAY REVIEW PERIOD WILL PRECLUDE ISSUANCE OF BONDS FOR THOSE OTHER PROJECTS IN THE ABSENCE OF EXPANSION OF THE RELIEF INTENDED TO BE PROVIDED BY H.R. 3671. ATTACHED IS A RECOMMENDED AMENDMENT TO H.R 3671 TO PROVIDE FOR THAT EXPANSION.

BEST COPY AVAILABLE

THE DISTRICT RESPECTFULLY SUBMITS FOR CONSIDERATION BY THE SUBCOMMITTEE THE ATTACHED LIST OF PROJECTS WHICH WE BELIEVE SHOULD BENEFIT FROM THE OPERATION OF ANY LEGISLATION THAT WOULD WAIVE THE CONGRESSIONAL REVIEW PERIOD OF THIRTY LEGISLATIVE DAYS. ALL OF THESE PROJECTS, IF APPROVED FOR FINANCING BY ANY OTHER ISSUING AUTHORITY COULD BE FINANCED WITH REVENUE BONDS ISSUED BY THAT AUTHORITY PRIOR TO THE END OF THE YEAR.

BEST COPY AVAILABLE

PROJECT LIST

PROJECTS FOR WHICH THE COUNCIL OF THE DISTRICT OF COLUMBIA HAS ENACTED A BOND ACT

George Washington University:	* Bill 6-166
Sibley Memorial Hospital:	* Bill 6-303
Georgetown University II:	* Bill 6-254
Washington Hospital Center:	* Bill 6-302
Washington Home for Incurables:	* Bill 6-216

PROJECTS FOR WHICH A BOND ACT IS UNDER CONSIDERATION BY THE COUNCIL OF THE DISTRICT OF COLUMBIA

TAG Group USA, Inc.:	Bill 6-293
American University II:	* Bill 6-324
Forrest Marbury House Associates, Ltd.:	BILL 6-316

PROJECTS FOR WHICH AN INDUCEMENT RESOLUTION IS UNDER CONSIDERATION

Forrest Marbury House Associates, Ltd.:	PR 6-220
TCI Inc.:	PR 6-178
Shaw Development Limited Partnership:	PR 6-236
29th & K Street Limited Partnership:	PR 6-138
General Maintenance Service Company:	PR 6- 12

PROJECTS FOR WHICH AN APPLICATION HAS BEEN APPROVED BY THE OFFICE OF BUSINESS AND ECONOMIC DEVELOPMENT

Chain Kin Leng Bakery
Maurice Electric

APPLICANT PROJECTS FOR WHICH AN INDUCEMENT RESOLUTION CAN BE CONSIDERED BY THE COUNCIL OF THE DISTRICT OF COLUMBIA PRIOR TO DECEMBER 31, 1985

Wheeler Plaza Shopping Center
Urban Systems Service Company
Maurice Electric
KLM Associates
Liat Services, Inc.
JB Kendall Company
Richards Associates
James Geisler Mini Storage
Crane Rental Company
Judd & Detwielder, Inc.
KDL Construction
DLS Associates
Landman Companies
George Washington University II*
Merchants Cash and Carry
Daedelus Books
East of the River Health Center
Stromberg Sheet Metal
Wholesale Florist
TRI Chemicals

KEY
* Non-Profit Organizations

BEST COPY AVAILABLE

RECOMMENDED AMENDMENT TO H.R. 3671

STRIKE ALL LANGUAGE FOLLOWING THE ENACTMENT CLAUSE AND SUBSTITUTE IN LIEU THEREOF THE FOLLOWING:

SECTION 1. SHORT TITLE

This Act may be cited as the "District of Columbia Revenue Bond Act of 1985".

SEC. 2. WAIVER OF CONGRESSIONAL REVIEW PERIOD FOR CERTAIN DISTRICT OF COLUMBIA ACTS AUTHORIZING THE ISSUANCE OF REVENUE BONDS.

(a) WAIVER. -- Section 602(c)(1) of the District of Columbia Self-Government and Governmental Reorganization Act shall not apply to any act of the District of Columbia for which certification as an act of the District of Columbia has been made prior to January 1, 1986 and which authorizes the issuance, sale and delivery of revenue bonds for any one of the projects or portions of the projects set forth in subsection (c).

(b) EFFECTIVE DATE OF ACTS. -- Notwithstanding section 404(e) of the District of Columbia Self-Government and Governmental Reorganization Act and any provision in any District of Columbia act described in subsection (a), any District of Columbia act described in subsection (a) shall take effect on the date of the enactment of this Act or the date of certification as an act of the District of Columbia, which ever occurs last.

(c) CERTAIN PROJECTS UNDER CONSIDERATION BY THE DISTRICT OF COLUMBIA. -- The projects under consideration:

(1) by the Council of the District of Columbia in the form of acts, bills, or resolutions are as follows:

George Washington University:	Bill 6-166
Sibley Memorial Hospital:	Bill 6-303
Georgetown University II:	Bill 6-254
Washington Hospital Center:	Bill 6-302
Washington Home for Incurables:	Bill 6-216
TAG Group USA, Inc.:	Bill 6-293
American University II:	Bill 6-324
Forrest Marbury House Associates, Ltd.:	BILL 6-316
TCI Inc.:	PR 6-178
Shaw Development Limited Partnership:	PR 6-236
29th & K Street Limited Partnership:	PR 6-138
General Maintenance Service Company:	PR 6- 12

(2) by the Office of Business and Economic Development of the District of Columbia in the form of applications received for revenue bond financing are as follows:

Chain Kin Leng Bakery
Maurice Electric
Liat Services, Inc.

BEST COPY AVAILABLE

56-768 O—86——3

Mr. FAUNTROY. I want to express my thanks to you and, through you, to the Mayor for the excellent cooperation you have given the staff of the District Committee and indeed the Ways and Means Committee in drafting this interim solution to what is, of course, a long-range problem; and that is our inability to expedite and implement bond issues in a timely fashion because of the 30-day review period.

I have no questions. For that reason, I want to just yield to our colleague, Mr. Bliley, whom I have just complimented for his coming to the hearing. I yield to him for any remarks he might wish to make at this time.

Mr. BLILEY. I thank the chairman for yielding. I apologize to the chairman for being late, however, as you know, we got a little water over in Virginia this morning.

Mr. Chairman, H.R. 3671 is a simple but important piece of legislation. The purpose of this bill is to waive the 30-day layover requirement for the District of Columbia Bond Act. These bonds are all of nonprofit institutions. I support each of these bonds and the purpose for which the bonds will be used.

This waiver is necessary because of provisions in the tax reform bill before the Ways and Means Committee. New provisions would severely limit the issuance of these tax-exempt bonds in the future. Therefore, it's important that we help these institutions so that they may issue their bonds before December 31, 1985.

I would also like to thank the chairman, the gentleman from the District, and his staff for their understanding of this problem and for displaying a willingness to cooperate in a bipartisan spirit.

I will have some amendments, Mr. Chairman, to the bill at full committee because by then the District bond bill listed in H.R. 3671 will have become an act, and our legislation can be simplified because of that.

I thank you very much.

Mr. FAUNTROY. I thank the gentleman very much. You quite properly pointed out that many of our—this bill deals with four nonprofit institutions, and representing the Consortium of Universities of the Washington metropolitan area, I am pleased to call now upon Father John Whalen, who is executive director of the consortium, for his testimony at this time. Thank you.

Father Whalen, let me thank you and welcome you to the hearing. You have been certainly cooperative and consistent and persistent in seeing to it that we resolve this very important matter for the citizens of the District of Columbia and indeed for the consortium which you represent.

STATEMENT OF FATHER JOHN WHALEN, EXECUTIVE DIRECTOR, CONSORTIUM OF UNIVERSITIES OF THE WASHINGTON METROPOLITAN AREA

Father WHALEN. Thank you very much, Mr. Chairman and Mr. Bliley.

My testimony will be very brief but impassioned. The consortium of universities is an organization that represents all the chief educational institutions of the District of Columbia and throws what-

BEST COPY AVAILABLE

ever weight it has behind this bill. We firmly and fully support it in every detail.

We would like you to consider, however, if it is possible without delay of passing the legislation, an expansion of the bill to include the proposed bond issue of the American University, which just hasn't had an opportunity to go all the way through and the timing is bad for it. We would like you to extend, if possible, the possibility of tax-exempt bond issues for nonprofit corporations that have received the full approval of the District of Columbia Council in the form of an act before December 31, 1985.

The reason I say that is that I am pretty fully aware of the tax-exempt issues that are pending even though not yet introduced. And I must say that one of them, because of timing problem, may be introduced very shortly and may come very close to the line of December 31. And you haven't heard about it before, and neither has the council yet. That is a bond issue proposed to be issued by the consortium of universities for the purpose of consolidating all of our libraries into one world-class academic research library.

We haven't been able to introduce that legislation yet because, while everybody expects that there is political compromise necessary in the political process, nobody expects that political compromise to be necessary as to universities; but now and then that is necessary. We do have a window of opportunity now to create something really spectacular in the academic community in our area here by the consolidation of these libraries and the construction of a large central repository for some of our important research materials. Now, that bill has not yet been introduced into the council. If the timing is possible to get it through the council by the end of the year, I should also like the committee, if it does not delay this bill, to look at that with favor.

Mr. Chairman, on behalf of all the colleges and universities of the consortium, I want to thank you and your committee and the committee members for all the excellent work that you have done to help us in an industry that is a very important one for the city. The overall net economic value to the city of the presence of its colleges and universities amounts to over $2 billion a year. It's one of the largest industries the city has. And we thank you very much for your continued support and help with higher education in the District.

I think that concludes my comments, Mr. Chairman.

Mr. FAUNTROY. We thank you, Father Whalen. Let me assure you that we do intend to favorably entertain the American University bond issue as soon as it is processed by the local government. And we look forward to addressing all of those bond issues properly handled by our locally elected government before the deadline.

I am particularly pleased to hear of the consortium's effort to develop a world-class library from among all of the universities in the area. And for that reason I hope that you will encourage them to move expeditiously so that it does not delay our effort to pass this bill and, hopefully, include what will be necessary to bring that prospect to a reality.

Father WHALEN. Thank you, Mr. Chairman, very much.

Mr. FAUNTROY. Mr. Bliley, do you have any questions of Father Whalen?

BEST COPY AVAILABLE

Mr. BLILEY. No. Thank you very much, Father. We have been in touch with the Senate already, and they are receptive to the idea, assuming that the hurdles are cleared.

Father WHALEN. I am delighted to hear that, Mr. Bliley. Thank you very much for all your assistance.

Mr. FAUNTROY. We thank you.

Now representing the chairman of the city council, Chairman David Clarke, I am pleased to call Richard Siegel to the witness table for purposes of presenting testimony on behalf of the chairman.

[A letter from Father Whalen to Mr. Fauntroy follows:]

BEST COPY AVAILABLE

Consortium of Universities of the Washington Metropolitan Area
1717 Massachusetts Avenue, N.W., Suite 101
Washington, D.C. 20036
(202) 265-1313

November 5, 1985

The Honorable Walter E. Fauntroy
District of Columbia Committee
Chairman
Subcommittee of Fiscal Affairs and Health
U.S. House of Representatives
Washington, D. C. 20515

Dear Congressman Fauntroy:

As Executive Director of the Consortium of Universities of the Washington Metropolitan Area, I would like to express my interest in having the House District of Columbia Committee waive the 30 day Congressional layover requirement for those Consortium universities which have bond issues that have cleared the District of Columbia Council by December 31, 1985 and are pending in Congress. This would allow the Universities the opportunity to issue their bonds as soon as possible in order to avoid the problem of the cut off date of December 31, 1985, contained in the proposed tax legislation of the Ways and Means Committee. (attachment)

One member institution, American University, is presently scheduled for a November 19th reading of its bond act before the D. C. Council. This would be too late for the proposed November 18th House floor action by the District Committee. I ask the Committee's support in assisting in the inclusion of the American University bill on the Senate side when the House Committee legislation reaches there.

I request your earliest and expedited action on this matter.

Sincerely,

Reverend John P. Whalen
Executive Director

JPW/ceb

The American University
The Catholic University of America
The George Washington University
Georgetown University
Howard University
University of the District of Columbia
University of Maryland University Park
Gallaudet College
Mount Vernon College
Trinity College

BEST COPY AVAILABLE

STATEMENT OF HON. DAVID A. CLARKE, CHAIRMAN, DISTRICT OF COLUMBIA CITY COUNCIL, PRESENTED BY RICHARD C. SIEGEL, BUDGET DIRECTOR, D.C. COUNCIL

Mr. SIEGEL. Thank you very much, Congressman. I want to extend the chairman's apologies for not being able to be here this morning.

I would like to read, in effect, which at this point is a statement from the chairman, into the record and would like the permission of the committee to revise this and extend some remarks by tomorrow, if that would be all right.

Mr. Chairman and members of the committee, this is the statement of David Clarke, chairman of the District of Columbia Council. He is not able to be here today but wants to take this opportunity to express his position on H.R. 3671.

The bill would waive provisions of the District's Home Rule Charter, requiring a 30-day review period within which both Houses of Congress are in session, before hospital and university bond acts approved by the D.C. Council to become law. The waiver of the review period for these measures would allow these tax-exempt institutions to bring their issues to market prior to December 31, 1985, the effective date of several tax reform measures now being considered by the U.S. Congress.

The chairman applauds this committee's sensitivity to the needs of the District of Columbia on the specific issue of tax-exempt financing. But in keeping with his home rule position and the position that he has taken on a number of occasions before this committee and before the House Appropriations Committee, he would prefer that the opportunity, of course, be seized to pass legislation exempting all measures, all legislative measures passed by the D.C. Council from congressional review.

Short of this, he would ask that the committee consider exempting all bonding issues, including our general obligation bonds, from the 30-day congressional review requirement. The uncertainty of the number of calendar days which elapse while awaiting the 30 days of congressional review may negatively impact upon the sale of bonds, affecting their price. If during the review period economic conditions shift, the District needs as short a period as possible between the approval of bonds and the sale of bonds to give it flexibility to bring the issues to market under the most favorable conditions.

He does support the intent of this legislation and feels that, if this is where we have to go, if we must go forward in considering only the industrial development tax-exempt institution bonding, that he would find it more desirable to consider language which would allow all of these types of measures approved by the D.C. Council prior to December 31, 1985, to be exempt from the 30-day congressional review period. This would put the District of Columbia on relative parity with all of the States and would give the District a measure of equity with other States and provide the opportunity for issues approved by the local government to become law. It would help to ensure that both private issue and tax-exempt bond measures now before the local government or those that the D.C. Council can consider before December 31, 1985, have a chance

BEST COPY AVAILABLE

of being approved prior to the effective date of various tax reform measures being considered by the Congress.

The recent agreement of the House Ways and Means Committee regarding tax reform, including a volume cap of $175 per capita and a formula distribution, if passed by the U.S. Congress, would seriously affect the District's ability to leverage tax-exempt bonds for housing and for tax-exempt institutions and small issue industrial development bonds.

In the absence of the waiver, more than $350 million of bonds already approved by the council in the city's review pipeline or awaiting congressional review would not be able to be issued until after December 31, 1985. These bonds would most likely come up against the volume cap or the small States cap, the $200 million approved by the House Ways and Means Committee, and would effectively render obsolete any plans the District might have for multi- or single-family issuances in addition private or 501(c)(3) issues in 1986.

While the current issues pending congressional review would meet present formula considerations, the aggregate volume of approved bonds would exceed the $200 million small-State ceiling and put the District in the position of making the very difficult decision of choosing from among already approved bond issues and proposed issues to keep within the $200 million ceiling. Not only would this delay the construction of needed health and educational facilities and the purchase of medical equipment, but it would also require the District to revamp its current planning process and put tax-exempt institutional issues such as those for universities and hospitals in direct competition for fairly limited resources with small issue industrial development bonds.

As it now stands, university, hospital, and other 501(c)(3) bonds are not in competition with the IRB's, which the District has only recently been able to approve to help stimulate economic development in our city. Although the current bill includes some specific bond acts to be included under the proposed 30-day review waiver, it's important that the test be expanded to include all or as many bond requests as possible which would be jeopardized in any way by the 30-day review.

In making this request, the chairman is in no way asking for preferential treatment of local bonds, only that they be allowed to be able to move forward and compete on an equitable basis with those bond issuances of other jurisdictions. It's his understanding that a specific list of those bonds which have been enacted by the council or pending before the council or are in other stages of development exist. It is his hope that the language be added to H.R. 3671 which would specify as many of these bonds as possible as coming under the waiver upon their enactment by the local government on or before December 31, 1985.

Mr. Chairman and members of the committee, he also wishes to say that any action taken on this bill should be viewed as a precursor to the consideration of the general impact of the review period on the efficiency and capability of local government to function in an unencumbered way. The all too well known delay of the enactment of local legislation, in some cases as much as 6 months, remains not only as a matter of equity, efficiency and even feasibility

BEST COPY AVAILABLE

in the matter of bonds, but also with the request in the entire local legislative process.

He thanks you for the opportunity to present, and I would be happy as budget director of the council to answer any questions you might have. Thank you very much.

Again, we would like to expand and extend our remarks and submit something tomorrow.

[The prepared statement of Mr. Clarke follows:]

BEST COPY AVAILABLE

STATEMENT OF DAVID A. CLARKE, CHAIRMAN,
COUNCIL OF THE DISTRICT OF COLUMBIA, ON

"H. R. 3671, A Bill to Waive the Period of Congressional Review for Certain District of Columbia Acts and Bills Authorizing the Issuance of Revenue Bonds"

SUBMITTED TO WALTER E. FAUNTROY, CHAIRMAN
SUBCOMMITTEE ON FISCAL AFFAIRS AND HEALTH,
COMMITTEE ON THE DISTRICT OF COLUMBIA

November 7, 1985

Mr. Chairman, and members of the Fiscal Affairs and Health Subcommittee, I am David A. Clarke, Chairman of the Council of the District of Columbia. Although I am not able to be with you today I want to take this opportunity to express my position on H. R. 3671. This bill would waive provisions of the District's home rule charter requiring a 30-day review period (during which both houses of Congress are in session) for four hospital and university bond acts approved by the D. C. Council to become law. The waiver of the 30-day review period for these four measures would allow these tax-exempt institutions to bring their issues to market prior to the December 31, 1985 effective date of several tax reform measures now being considered by the U. S. Congress.

Although I can appreciate the bond related concerns which have led to consideration of H.R. 3671, it is such ad hoc concerns plus the more general concern and need for responsive, efficient and accountable government which make a compelling case for the elimination of the Congressional review period, not just for the bonds specified in the bill or bonds in general, but for all legislation passed by the local government. I need not spend much time on the

BEST COPY AVAILABLE

history and effect of the review period in causing local legislation delays -- as long as six months beyond the completion of action at the local level -- which has resulted from the Congressional review period. That story is well known to most of you who sit on the House District of Columbia Committee and especially to those of you who have initiated legislation in the past to modify or to eliminate the review period.

I can certainly appreciate the immediacy of the need to head off the unique jeopardy in which local bonds are placed by the 30 day review. However, in addressing the problem and in the absence of any readiness today to deal with the basic problem of Congressional review, it is my recommendation that the Committee give priority to legislation which would permanently exempt local bonds from the review period. Such action would not only eliminate the disadvantage imposed on local bond issuances in the short run, but the long run as well. Moreover, such action would recognize that local bonds are more fundamentally affected by on-going market place dynamics than by the singular incidence of the anticipated Congressional tax reform legislation. Moreover, the marketability of bonds is often conditioned by a turn-around time from application to issuance which can take advantage of existing market conditions - a timing factor and potential advantage which is diminished by a prolonged or extraordinary bond process such as that resulting from the review period.

BEST COPY AVAILABLE

Although I give priority importance to eliminating the Congressional review period altogether, and alternatively to the permanent exemption of bond acts from the review period, as a bottom line option, and as a step toward the two more preferable options, I support the intent of H.R. 3671. However, I believe that all bond measures approved by the D.C. Council prior to December 31, 1985 should be exempt from the 30-day Congressional review period. Language to this effect would in the short run put the District of Columbia on relative parity with all other state level jurisdictions and would expand the opportunity for issues approved by the local government to become law. Moreover, it would help to assure that both private issue and tax exempt bond measures now before the local government -- or those that the D. C. Council can consider before December 31, 1985 -- have a chance of being approved prior to the effective date of the tax reform measures being considered by the Congress.

The recent agreement of the House Ways and Means Committee regarding tax reform -- including a volume cap of $175 per capita and a formula distribution -- if passed by the U. S. Congress would seriously affect the District's ability to leverage tax exempt bonds for housing, tax exempt institutions, and small issue industrial development bonds. In the absence of a waiver more than $350 million of bonds already approved by the Council, in the city's review pipeline or awaiting Congressional review would not be able to be issued until after December 31, 1985. These bonds would most likely come up against the volume cap

BEST COPY AVAILABLE

or the small states cap ($200 million) approved by the House Ways and Means Committee and would effectively render obsolete any plans the District might have for multi-family or single-family issuances, and private or 501(C)(3) issues in 1986. While the current issues pending Congressional review would meet present formula considerations, the aggregate volume of approved bonds would exceed the $200 million small state ceiling and put the District in the position of making the very difficult and arduous decision of choosing from among already approved bond issues and proposed issues to keep within the $200 million ceiling. Not only would this delay the construction of needed health and educational facilities and the purchase of medical equipment, but it would also require the District to revamp its current planning process and put tax exempt institutional issues -- such as those for universities and hospitals -- in direct competition for severely limited resources with small issue industrial development bonds. As it now stands, university, hospital, and other 501(c)(3) bonds are not in competition with industrial revenue bonds which the District has only been able to approve recently to help stimulate economic development in the nation's capital.

In summary, although the current bill includes some specific bond acts to be included under the proposed 30 day review waiver, it is important that the list be expanded to include all or as many bond requests as possible which would be jeopordized in any way by the 30 day review. In making this request it should be clear that I am in no way asking for preferential treatment of District of

BEST COPY AVAILABLE

Columbia bonds, only that they be allowed to move forward and to compete on an equitable basis with those bond issuances of other jurisdictions. It is my understanding that a specific list of those bonds which have been enacted by the Council, are pending before the Council, or are in other stages of development is being provided by the District of Columbia government Office of Business and Economic Development.

Mr. Chairman and members of the Committee, I wish to emphasize my hope that any action taken on H.R. 3671 will be viewed as a precursor to the consideration of legislation directed toward eliminating the review period. The delay in the enactment of local legislation caused by the current process remains as not only a matter of equity, efficency, and even feasibility in the case of bonds, but also in the case of all local legislation subject to the review period. It is also my hope that if the broader question of the Congressional review period is not to be addressed today, a timetable can be set for consideration of the same in the near future.

I thank you for the opportunity to present my views to you this morning.

BEST COPY AVAILABLE

Mr. FAUNTROY. Thank you so very much, Mr. Siegel.

I have no questions. I simply want you to convey to Chairman Clarke our appreciation for the work of you and the staff in cooperation with that of the District Committee and other entities to bring about what I think is an adequate solution to this short-term problem. And please assure Mr. Clarke that I will be working toward the goal which we share, of eliminating the 30-day review period altogether on council-passed legislation.

Mr. Bliley, are there questions?

Mr. BLILEY. No questions, Mr. Chairman, thank you.

Mr. FAUNTROY. If not, let me thank you again. With your testimony, the hearing will come to a close.

[Sound of gavel.]

BEST COPY AVAILABLE

MARKUP OF H.R. 3671

THURSDAY, NOVEMBER 7, 1985

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON FISCAL AFFAIRS AND HEALTH,
COMMITTEE ON THE DISTRICT OF COLUMBIA,
Washington, DC.

The subcommittee met, pursuant to notice, at 9 a.m., in room 1310, Longworth House Office Building, Hon. Walter E. Fauntroy (chairman of the subcommittee) presiding.

Present: Representatives Fauntroy and Bliley.

Also present: Edward C. Sylvester, Jr., staff director; Johnny Barnes, senior staff counsel; Julius Hobson, Jr., staff assistant; Donn G. Davis, senior legislative associate; John Gnorski, minority staff director; and Ronald P. Hamm, minority staff assistant.

Mr. FAUNTROY. The Subcommittee on Fiscal Affairs and Health is now convened for purposes of consideration of H.R. 3671, a bill that would waive the period of congressional review for certain District of Columbia acts and the bills authorizing the issuance of bond issues.

It is my desire to report a clean bill to the full committee for consideration. To that end, I would respectfully request, Mr. Bliley, that we handle the amendments which you suggested, hopefully, in a fashion——

Mr. BLILEY. Yes.

Mr. FAUNTROY. Very good. That should enable us to vote on the measure and to thereby set it on track for expeditious action by the full committee and then by the Congress.

With the consent of the minority, I would recommend, therefore, that H.R. 3671 be favorably reported to the full committee with instructions to the staff to prepare a clean bill that reflects the amendments which Mr. Bliley will be making very shortly.

On behalf of the chairman of the full committee, Mr. Dellums, who has joined with us in cosponsoring the measure, I want also to convey our thanks and appreciation to the principals who have been represented by their staff here today, as well as to my colleague, Mr. McKinney, who is unable to be here but who wants to be voted aye on this question, and to Mr. Bliley.

Mr. BLILEY. Thank you, Mr. Chairman. I ask unanimous consent and move by unanimous consent that the bill be amended to change the reference to the Georgetown bond bill to the appropriate bond act and that staff be directed to change other language to conform to the fact that all four bond issues are D.C. bond acts.

Mr. FAUNTROY. Without objection, the request of the gentleman for unanimous consent for that purpose is granted.

BEST COPY AVAILABLE

With that, I entertain a motion to favorably report to the full committee.

Mr. BLILEY. So move.

Mr. FAUNTROY. All in favor say aye.

[A chorus of ayes.]

Mr. FAUNTROY. Opposed?

The ayes have it. H.R. 3671 is reported as a clean bill, as amended, to the full committee.

With that, we call to a close our hearing and markup on H.R. 3671.

[Whereupon, at 9:35 a.m., the subcommittee was adjourned, subject to the call of the Chair.]

BEST COPY AVAILABLE

MARKUP OF H.R. 3718, A BILL TO WAIVE THE PERIOD OF CONGRESSIONAL REVIEW FOR CERTAIN DISTRICT OF COLUMBIA ACTS AUTHORIZING THE ISSUANCE OF REVENUE BONDS

WEDNESDAY, NOVEMBER 13, 1985

HOUSE OF REPRESENTATIVES,
COMMITTEE ON THE DISTRICT OF COLUMBIA,
Washington, DC.

The committee met, pursuant to call, at 10:40 a.m., in room 1310, Longworth House Office Building, Hon. Ronald V. Dellums (chairman of the committee) presiding.

Present: Representatives Dellums, Barnes, Dymally, Wheat, Parris, Bliley, and Combest.

Also present: Robert B. Brauer, senior staff assistant; Johnny Barnes, senior staff counsel; Donn G. Davis, senior legislative associate; Dale MacIver, senior staff counsel; John Gnorski, minority staff director; Richard S. Beatty, Mark J. Robertson, and Ron Hamm, minority staff assistants.

[The clean bill, H.R. 3718, follows:]

BEST COPY AVAILABLE

99TH CONGRESS
1ST SESSION

H. R. 3718

To waive the period of Congressional review for certain District of Columbia acts authorizing the issuance of revenue bonds.

IN THE HOUSE OF REPRESENTATIVES

NOVEMBER 8, 1985

Mr. FAUNTROY (for himself, Mr. DELLUMS, Mr. MCKINNEY, Mr. BLILEY, Mr. BARNES, Mr. PARRIS, and Mr. DYMALLY) introduced the following bill; which was referred to the Committee on the District of Columbia

---

A BILL

To waive the period of Congressional review for certain District of Columbia acts authorizing the issuance of revenue bonds.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "District of Columbia Revenue Bond Act of 1985".

BEST COPY AVAILABLE

SEC. 2. WAIVER OF CONGRESSIONAL REVIEW PERIOD FOR CERTAIN DISTRICT OF COLUMBIA ACTS AUTHORIZING THE ISSUANCE OF REVENUE BONDS.

(a) WAIVER.—Section 602(c)(1) of the District of Columbia Self-Government and Governmental Reorganization Act shall not apply to certain acts of the District of Columbia described in subsection (c) authorizing the issuance, sale, and delivery of revenue bonds.

(b) EFFECTIVE DATE OF ACTS.—Notwithstanding section 404(e) of the District of Columbia Self-Government and Governmental Reorganization Act and any provision in any District of Columbia act described in subsection (c), the District of Columbia acts described in subsection (c) shall take effect on the date of the enactment of this Act.

(c) CERTAIN ACTS OF THE DISTRICT OF COLUMBIA AUTHORIZING THE ISSUANCE OF REVENUE BONDS.—The District of Columbia acts authorizing the issuance, sale, and delivery of revenue bonds referred to in subsections (a) and (b) are as follows:

(1) The Georgetown University Higher Education Facilities Revenue Bond Act of 1985, District of Columbia act 6-101, transmitted to the Speaker of the House and the President of the Senate November 7, 1985.

BEST COPY AVAILABLE

(2) The George Washington University Revenue Bond Act of 1985, District of Columbia act 6-76, transmitted to the Speaker of the House and the President of the Senate October 3, 1985.

(3) The Sibley Memorial Hospital Revenue Bond Act of 1985, District of Columbia act 6-94, transmitted to the Speaker of the House and the President of the Senate October 23, 1985.

(4) The Washington Hospital Center Corporation Revenue Bond Act of 1985, District of Columbia act 6-92, transmitted to the Speaker of the House and the President of the Senate October 10, 1985.

BEST COPY AVAILABLE

The CHAIRMAN. The full Committee on the District of Columbia will come to order.

We are meeting this morning to mark up the bill H.R. 3718, a bill to waive the period of congressional review for certain District of Columbia acts authorizing the issuance of revenue bonds. This bill was approved by our Subcommittee on Fiscal Affairs and Health last week. It permits council acts already signed by the Mayor to take effect immediately, rather than waiting for the usual 30-day congressional layover period. It is limited to four revenue bond issues for two hospitals and two universities in the District of Columbia.

The Chair at this point would like to yield to the gentleman from Virginia, Mr. Bliley, for such time as he may consume.

Mr. BLILEY. I thank the chairman for yielding.

Mr. Chairman, I appreciate the prompt action of the committee on H.R. 3718. This is a simple but important piece of legislation that will help several nonprofit institutions in the District of Columbia issue bonds before the December 31. 1985, rules changes proposed take effect.

The District has unique problems in issuing bonds quickly, and we are all aware that the District has only recently been in a position to take advantage of the bond market.

For these reasons, I am willing to take whatever action is needed to help the District deal with the timetable set by the Ways and Means Committee. I believe that this committee should approve H.R. 3718 immediately, and take it before the House next Monday.

After that action, I would be willing to work with the District on any other action that may be needed to waive the layover period for other bonds that the council may pass during the next month. Whether this action means seeking approval of a waiver for specific bonds after they have passed the council or whether it may mean some kind of waiver in advance for a limited list of bonds currently before the council, I cannot say.

I pledge myself to work with the District and other members of this committee to do the best we can in this matter in a timely fashion.

Thank you, Mr. Chairman. I yield back the balance of my time.

The CHAIRMAN. I thank the gentleman from Virginia.

The Chair would like to point out to the committee that our distinguished colleague, the gentleman from the District of Columbia, Mr. Fauntroy, who chairs the Subcommittee on Fiscal Affairs and Health, has been unavoidably detained this morning. He is on his way in by automobile, as opposed to airplane, which was his original plan; so he is not able to be here.

If there is no objection, the Chair at this point would like to yield such time as the gentleman may consume to the counsel for the purpose of reading into the record at this point the statement from the chairman of the subcommittee.

The Chair would recognize the gentleman for that purpose.

The COUNSEL. Mr. Chairman, I want to thank you for taking the time from your extremely busy schedule and bringing this matter before the full committee for consideration today. I am pleased to be a sponsor along with you, Mr. Chairman, the committee's ranking minority member, Mr. McKinney, and our colleagues, Mr.

BEST COPY AVAILABLE

Bliley, Mr. Barnes, Mr. Parris, and Mr. Dymally, in this truly bipartisan effort.

H.R. 3718 seeks to waive the period of congressional review for certain District of Columbia acts authorizing the issuance of revenue bonds. The bill is necessary and urgent, Mr. Chairman, because it is expected that major changes in the United States Internal Revenue Code affecting the issuance of revenue bonds will be enacted during the 99th Congress. A key feature of those changes is almost certain to be a provision which mandates different tax treatment for municipal bond issues beginning January 1, 1986. In fact, on October 25, 1985, the House Ways and Means Committee marked up a bill with such a feature.

The District of Columbia is exposed in a special and unique way by the prospect of these changes. Under section 602(c)(1) of the Home Rule Act, as you will know, Mr. Chairman, after the District government has done all that it can and must do to enact bond legislation those acts must then be transmitted to the Congress for a 30-legislative-day-review period. Because Congress will adjourn sometime in mid-December, several D.C. government bond acts now pending will not clear the 30-day review period prior to the December 31, 1985, date fixed by the House Ways and Means Committee for implementation of the Internal Revenue Code changes. Passage of H.R. 3718 will ensure that Congress does not create an undue impediment to the issuance of District of Columbia government bonds which would otherwise not be affected except for the unique interface between the District and Federal governments. The District would be placed on equal footing with all other municipal bond issuers from State and local governments.

This bill has been crafted in consultation with the House Ways and Means Committee. On October 30, 1985, that committee issued a press release numbered 23-A. In that press release the committee proposed that the type of bonds which are the subject of this legislation be issued prior to December 31, 1985, or be governed by the more restrictive regulations. Moreover, on November 5, 1985, Congressman Dan Rostenkowski, chairman of the House Ways and Means Committee, wrote a letter to this committee stating, in pertinent part, "A waiver of the 30-day congressional review period for D.C. City Council enactments * * * would [put] these organizations in the same position as similar organizations domiciled in any one of the 50 States." The full text of Chairman Rostenkowski's letter, together with the accompanying attachment, is included in each member's folder.

H.R. 3718 is directed to four proposed bond issues. Each of the proposed issues has been passed by the D.C. City Council and must clear the review period. Each of the issues is for nonprofit organizations.

Mr. Chairman, there may be other nonprofit, as well as for-profit, bond issues enacted by the D.C. government prior to the December 31 trigger date. It is my understanding that members of this committee on both sides of the aisle have resolved to ensure by separate legislation or by accepting certain amendments that none of the city's bond proposals passed by the council and signed by the Mayor are impeded by virtue of the 30-day review period.

BEST COPY AVAILABLE

The solution embodied in H.R. 3718 is at best cosmetic. No government should have to run its business in the way the D.C. government is forced to function. Bond issues, especially, are delicate and market sensitive, and should not be periled by the wonderland of the District's wobbly legislative process. The ideal solution would be to eliminate the review period altogether, or at least to pass a measure like H.R. 3717, which I introduced.

I recognize that the urgency of the matter before us does not permit consideration of a more permanent solution. However, I look forward to working with our colleagues toward that end in the near future.

Mr. Chairman, the Subcommittee on Fiscal Affairs and Health, which I chair, took testimony on this proposal on November 7, 1985. We heard from the Mayor's office, Chairman Clarke's office, and Father Whelan in behalf of the consortium of universities. We also received for the record a letter from Mr. Stephen H. Lipson, president of the District of Columbia Hospital Association. All of the witnesses supported passage of this legislation.

In sum, the goal of H.R. 3718 is to remove special congressional hurdles from the District's bond enactment path. The bill is for a limited purpose and is aimed at ensuring that the December 31, 1985, trigger date from tax reform proposals moving through the Congress does not place undue burdens and impediments on the District of Columbia due to the 30-day review period.

For the foregoing reasons, I urge passage of this bill.

Thank you, Mr. Chairman.

The CHAIRMAN. The Chair thanks the gentleman for the statement. And I appreciate my colleagues allowing the gentleman to read Mr. Fauntroy's statement into the record.

Mr. BLILEY. Mr. Chairman.

The CHAIRMAN. The gentleman from Virginia.

Mr. BLILEY. If no one else wishes to speak, I move that the committee do report H.R. 3718, with the usual instructions.

The CHAIRMAN. Is there a second?

Mr. DYMALLY. Second.

The CHAIRMAN. It has been moved and seconded that we report the bill H.R. 3718 favorably to the House.

The Clerk will call the roll.

The CLERK. Mr. Fauntroy.

The CHAIRMAN. Aye, by proxy.

The CLERK. Mr. Mazzoli.

The CHAIRMAN. Aye, by proxy.

The CLERK. Mr. Stark.

The CHAIRMAN. Aye, by proxy.

The CLERK. Mr. Gray.

The CHAIRMAN. Aye, by proxy.

The CLERK. Mr. Barnes.

Mr. BARNES. Aye.

The CLERK. Mr. Dymally.

Mr. DYMALLY. Aye.

The CLERK. Mr. Wheat.

Mr. WHEAT. Aye.

The CLERK. Mr. McKinney.

Mr. BLILEY. Mr. McKinney votes aye, by proxy.

BEST COPY AVAILABLE

The CLERK. Mr. Parris.
Mr. BLILEY. Mr. Parris passes.
The CLERK. Mr. Bliley.
Mr. BLILEY. Aye.
The CLERK. Mr. Combest.
Mr. COMBEST. Aye.
The CLERK. Mr. Dellums.
The CHAIRMAN. The Chair votes aye.
The Chair understands that Mr. Parris is on his way.
Mr. Combest, I would like to thank you for coming. We really appreciate it very much, we know you have a very busy schedule.
The CLERK. Mr. Chairman, there are 11 ayes, no nays, and one absence.
The CHAIRMAN. The committee will stand in recess, subject to the call of the Chair.
[Recess.]
The CHAIRMAN. The committee is called to order.
Mr. Parris, on the motion to favorably report to the floor the bill H.R. 3718, how shall we record the gentleman?
Mr. PARRIS. Aye.
The CHAIRMAN. The gentleman votes aye.
The CLERK. Mr. Chairman, the vote on H.R. 3718 is 12 yeas, and no nays.
The CHAIRMAN. On a vote of 12 yeas and no nays, the motion carries, and the bill H.R. 3718 will be favorably reported to the House.
Is there any other business to come before the full committee? If not, the full committee stands in adjournment.
[Whereupon, at 11 a.m., the committee was adjourned, to reconvene subject to the call of the Chair.]
[The floor action on H.R. 3718 follows:]

DISTRICT OF COLUMBIA BUSINESS

The SPEAKER pro tempore. The Chair recognizes the gentleman from California [Mr. DELLUMS], chairman of the Committee on the District of Columbia.

DISTRICT OF COLUMBIA REVENUE BOND ACT OF 1985

Mr. DELLUMS. Mr. Speaker, by direction of the Committee on the District of Columbia, I call up the bill (H.R. 3718) to waive the period of congressional review for certain District of Columbia acts authorizing the issuance of revenue bonds, and ask unanimous consent that the bill be considered in the House as in the Committee of the Whole.
The Clerk read the title of the bill.
The SPEAKER pro tempore. Is there objection to the request of the gentleman from California?
There was no objection.
The Clerk read the bill, as follows:
H.R. 3718.—*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,*
Section 1. Short Title.
This Act may be cited as the "District of Columbia Revenue Bond Act of 1985".
Sec. 2. Waiver of congressional review period for certain District of Columbia acts authorizing the issuance of revenue bonds.
(a) Waiver.—Section 602(c)(1) of the District of Columbia Self-Government and Governmental Reorganization Act shall not apply to certain acts of the District of Columbia described in subsection (c) authorizing the issuance, sale, and delivery of revenue bonds.

BEST COPY AVAILABLE

(b) Effective Date of Acts.—Notwithstanding section 404(e) of the District of Columbia Self-Government and Governmental Reorganization Act and any provision in any District of Columbia act described in subsection (c), the District of Columbia acts described in subsection (c) shall take effect on the date of the enactment of this Act.

(c) Certain Acts of the District of Columbia Authorizing the Issuance of Revenue Bonds.—The District of Columbia acts authorizing the issuance, sale, and delivery of revenue bonds referred to in subsections (a) and (b) are as follows:

(1) The Georgetown University Higher Education Facilities Revenue Bond Act of 1985, District of Columbia act 6-101, transmitted to the Speaker of the House and the President of the Senate, November 7, 1985.

(2) The George Washington University Revenue Bond Act of 1985, District of Columbia act 6-76, transmitted to the Speaker of the House and the President of the Senate, October 3, 1985.

(3) The Sibley Memorial Hospital Revenue Bond Act of 1985, District of Columbia act 6-94, transmitted to the Speaker of the House and the President of the Senate, October 23, 1985.

(4) The Washington Hospital Center Corporation Revenue Bond Act of 1985, District of Columbia act 6-92, transmitted to the Speaker of the House and the President of the Senate, October 10, 1985.

Mr. DELLUMS (during the reading). Mr. Speaker, I ask unanimous consent that the bill be considered as read and printed in the RECORD.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from California?

There was no objection.

Mr. DELLUMS. Mr. Speaker, I move to strike the last word.

Mr. Speaker, the Home Rule Act for the District of Columbia, adopted by Congress in 1973, gives the elected council of the District of Columbia broad legislative power for local matters within the District of Columbia, including the power to issue tax-exempt industrial revenue bonds. Such bonds are issued by all 50 States under restrictions set in the Internal Revenue Code. It is expected that the House Ways and Means Committee will recommend stricter regulations for bonds issued after December 31, 1985.

The purpose of H.R. 3718 is to permit four revenue bonds already adopted by the District Council to go into effect immediately without the 30-legislative day congressional layover period which the Home Rule Act requires for most legislation by the council.

The four acts for revenue bonds were signed by the Mayor and transmitted to the Speaker of the House of Representatives within the past few weeks. If Congress were meeting daily without interruption during November and December there would be no need for H.R. 3718. The 30 legislative days would take about 6 calendar weeks allowing the acts to become effective. It is not likely that Congress will be in session enough days in November and December to total 30 legislative days and permit the bond legislation to become law before December 31, 1985, deadline planned by the Ways and Means Committee.

H.R. 3718 identifies the council acts and names the four nonprofit institutions involved—two hospitals and two universities. Reports transmitted to the Speaker give additional information on the importance of these bond issues. Here are a few of the facts:

The $70 million bond issue for the Washington Hospital Center will permit renovations designed to correct building violations and modernize facilities that are 27 years old. The 30-year tax-exempt bonds will save the hospital 3 percent or $800,000 a year.

The $31 million bond issue for George Washington University will permit remodeling laboratory space, remodeling for the installation of computer equipment, communications equipment and a university wide telecommunications system.

The $127 million bond issue for Georgetown University provides for a new construction of a $45 million new addition to the law center, $32 million for a university center, $2.5 million for a new science library, $7.5 million for a Medical Institute for Neuroscience, and $12 million for a telecommunications network.

Finally, the $22 million bond issue for 25-year-old Sibley Memorial Hospital will upgrade the facility to comply with current health and safety codes and modernize certain areas and services.

Congressional precedent for waiving the 30-legislative-day layover is found in the passage, in 1981, or Public Law 97-107 involving bonds for George Washington University.

BEST COPY AVAILABLE

The bonds involved are conventional revenue bonds, not general obligations of the District of Columbia or of the Federal Government. In 1981 Congress added a new section 484 to the District of Columbia Home Rule Act making it clear that "The full faith and credit of the United States is not pledged * * *" and "The United States is not responsible or liable for the payment of any principal of or interest on any bond, note or other obligation issued by the District under this part."

Mr. Speaker, H.R. 3718 is an appropriate remedy for helping local institutions out of a serious situation.

Mr. CONTE. Mr. Speaker, will the gentleman yield?

Mr. DELLUMS. I yield to the gentleman from Massachusetts.

Mr. CONTE. Mr. Speaker, I want to take this opportunity to commend the gentleman from California for that very fine presentation and for bringing this very important piece of legislation to the Congress, the floor of the House, and urge my colleagues to support him and pass this bill.

Mr. DELLUMS. I thank the gentleman for his generosity and thank him for his support.

With that, Mr. Speaker, I yield back the balance of my time.

Mr. BLILEY. Mr. Speaker, I move to strike the last word. and I rise in support of the bill.

Mr. Speaker, H.R. 3718 is a bipartisan response to a unique problem of the District of Columbia in issuing tax-exempt bonds. As with all District legislation, bonds approved by the District government must complete a 30-legislative-day layover period before becoming effective.

This delay between approval of a bond issue and its issuance can cost the seller millions of dollars in additional interest payments if the rates rise while the bond sits before the Congress. In the past the Congress has seen fit to waive the 30-day layover requirement once the appropriate committees have received the bond acts and determined that they are acceptable.

H.R. 3718 is a simple bill that waives the layover period for four tax exempt bond acts. These bonds are for nonprofit institutions, but that fact is a factor of the District Council calendar rather than an indication that the District Committee only approves of nonprofit bonds. If the District Council passes other bond acts between now and adjournment I would expect to take the same action for those bonds as we are taking for these today.

Mr. Speaker, H.R. 3718 is an important bill for the District of Columbia and nonprofit institutions. It is a bipartisan bill and it deserves our unanimous support.

Mr. FAUNTROY. Mr. Speaker, I move to strike the last word.

(Mr. Fauntroy asked and was given permission to revise and extend his remarks.)

Mr. FAUNTROY. Mr. Speaker, I am pleased to be a sponsor along with the chairman of our committee, Mr. Dellums, the committee's ranking minority member, Mr. McKinney, and our colleagues, Mr. Bliley, Mr. Barnes, Mr. Parris, and Mr. Dymally, in this truly bipartisan effort.

H.R. 3718 seeks to waive the period of congressional review for certain District of Columbia acts authorizing the issuance of revenue bonds. The bill is necessary and urgent, Mr. Speaker, because it is expected that major changes in the U.S. Internal Revenue Code affecting the issuance of revenue bonds will be enacted during the 99th Congress. A key feature of those changes is almost certain to be a provision which mandates different tax treatment for municipal bond issues beginning January 1, 1986. In fact, on October 25, 1985, the House Ways and Means Committee marked up a bill with such a feature.

The District of Columbia is exposed in a special and unique way by the prospect of these changes. Under section 602(c)(1) of the Home Rule Act, after the District government has done all that it can and must do to enact bond legislation, those acts must then be transmitted to the Congress for a 30-legislative-day review period. Because Congress will adjourn sometime in mid-December, several D.C. government bond acts now pending will not clear the 30-day review period prior to the December 31, 1985, date fixed by the House Ways and Means Committee for implementation of the Internal Revenue Code changes. Passage of H.R. 3718 will ensure that Congress does not create an undue impediment to the issuance of District of Columbia government bonds which would otherwise not be affected except for the unique interface between the District and Federal Governments. The District would be placed on equal footing with all other municipal bond issuers from State and local governments.

This bill has been crafted in consultation with the House Ways and Means Committee. On October 30, 1985, that committee issued a press release numbered 23-A. In that press release, the committee proposed that the type of bonds which are the subject of this legislation be issued prior to December 31, 1985, or be governed by

BEST COPY AVAILABLE

the more restrictive regulations. Moreover, on November 5, 1985, Congressman Dan Rostenkowski, chairman of the House Ways and Means Committee, wrote a letter to the D.C. Committee stating, in pertinent part, "A waiver of the 30-day congressional review period for D.C. city council enactments * * * would [put] these organizations in the same position as similar organizations domiciled in any one of the 50 States." The full text of Chairman Rostenkowski's letter appears in the report accompanying this bill.

H.R. 3718 is directed at four proposed bond issues. Each of the proposed issues has been passed by the D.C. city council and must clear the review period. Each of the issues is for nonprofit organizations.

Mr. Speaker, there may be other nonprofit, as well as for-profit, bond issues enacted by the D.C. government prior to the December 31 trigger date. It is my understanding that members of this committee on both sides of the aisle have resolved to ensure by separate legislation or by accepting certain Senate amendments that none of the city's bond proposals passed by the council and signed by the Mayor are impeded by virtue of the 30-day review period.

The solution embodied in H.R. 3718 is, at best, cosmetic. No government should have to run its business in the way the D.C. government is forced to function. Bond issues, especially, are delicate and market-sensitive, and should not be periled by the wonderland of the District's wobbly legislative process. The ideal solution would be to eliminate the review period altogether.

I recognize however, that the urgency of the matter before us does not permit consideration of a more permanent solution. However, I look forward to working with our colleagues toward that end in the near future.

Mr. Speaker, the Subcommittee on Fiscal Affairs and Health, which I chair, took testimony on this proposal on November 7, 1985. We heard from the Mayor's office, Chairman, Clarke's office, and Father Whelan in behalf of the consortium of universities. We also received for the record a letter from Mr. Stephen H. Lipson, president of the District of Columbia Hospital Association. All of the witnesses supported passage of this legislation. Subsequently, on November 13, the full committee, by a unanimous vote of 12 to 0, favorably reported the bill.

In sum, the goal of H.R. 3718 is to remove special congressional hurdles from the District's bond enactment path. The bill is for a limited purpose and is aimed at ensuring that the December 31, 1985, trigger date from tax reform proposals moving through the Congress does not place undue burdens and impediments on the District of Columbia due to the 30-day review period.

For the foregoing reasons, Mr. Speaker, I urge passage of this bill.

Mr. McKINNEY. Mr. Speaker, I rise in support of H.R. 3718, and wish to thank the chairman of the Committee on the District of Columbia, Mr. Dellums, and the chairman of the subcommittee to which this bill was referred, Mr. Fauntroy for their efforts in bringing this measure to the floor in a timely manner. I would also like to acknowledge the leadership and untiring efforts of the gentleman from Virginia [Mr. Bliley] in crafting a bill which merits the support of the House.

The provisions of this bill, and its purpose, has already been more than adequately explained. To enhance those explanations, I believe it would be of some benefit to discuss the alternatives considered by the committee but rejected.

When the committee met to mark up and report this bill, two other measures were on the agenda. H.R. 3716 would have granted a blanket waiver of the 30-day congressional review period to any local act authorizing the issuance of revenue bonds for nonprofit institutions or organizations, so long as the council and mayoral action had been completed prior to January 1, 1986. H.R. 3717 would have granted the same blanket waiver under the same conditions, but it would have applied to any revenue bonds, not just those associated with nonprofit institutions.

I think the major problem with either of these bills is that the Congress would be waiving its review of bond authorizations which would not even have to be introduced in the Council until early December. Even if limited to bonds for nonprofit institutions, it might be a little too much for Congress to forgo its opportunity to review matters which are not yet on the drawing board. There was also some concern that a blanket waiver would result in a rush to approve any bond proposal simply to beat the clock and avoid the necessity of compliance with the restrictions on revenue bonds which are likely to go into effect on January 1, 1986. Finally, although I believe this is stretching things a bit, it was noted that some might consider any form of blanket waiver an infringement on the local government's home rule prerogatives.

In any event, Mr. Speaker, neither of these bills received the support of the committee. The measure which won the unanimous vote of the committee as the best mechanism for addressing this unique problem is the bill currently under consider-

ation. It has several features which are the counterpoints to the problems raised with the other bills that were considered by the committee, and I would like to briefly explain them.

First, the bill waives the congressional review period, or more accurately some portion of that review period, only for those bond authorizations which have been considered and approved by the council and signed by the mayor. We therefore make no attempt to short circuit the authority and responsibility of locally elected officials to determine which proposals merit the tax advantages the city government is able to confer.

Next, by specifically listing the bond authorization acts which will receive a waiver of congressional review, the bill is a specific response to a specific, one-time problem. Notwithstanding what some might infer from either the committee report or this debate, we come to the House with no intention of setting a precedent. H.R. 3718 is a one-time effort to put the District of Columbia on equal footing with other jurisdictions with respect to a very limited set of circumstances.

Finally, Mr. Speaker, I think it is important to clear up a potential misunderstanding about the scope of this legislation. It has already been noted that the four specific bond authorization acts which will be exempted from the congressional review process are each associated with a nonprofit institution. One might therefore assume that the intent of this bill is to waive the review period only for those bond authorizations which are associated with nonprofit institutions.

That is clearly not the case. Nowhere in the language of this bill is there such a limitation even inferred. Rather, the intent is to waive the review requirement for any revenue bond authorization which has been approved by the Council and signed by the mayor. As of this date, there are only four such local authorizations, and they are specified in the text of H.R. 3718. Had there been any additional revenue bond authorizations approved at the local level, whether for nonprofit institutions or otherwise, the committee would have included them in this bill.

I want to be very clear on this last point, because in all likelihood additional revenue bond authorizations will be cleared by the city before this legislation is considered in the other body. Should any such local bond authorizations, having been duly considered and approved by the city, be added to this bill in the other body, it is this Member's understanding that our committee's recommendation would be to agree to the amendment made in the other body.

Mr. Speaker, it seems that all too often our committee calls upon the House to enact some last minute measure which will in some way or another assist the District of Columbia. While some might characterize such efforts as sweetheart deals for the city, H.R. 3718 clearly does not fall into that category. It is nothing more than an effort to put the city on an equal footing with other jurisdictions with respect to the issuance of revenue bonds. The bill is not opposed by the Ways and Means Committee, it is not opposed by the administration, it will not cost the Federal Government anything according to the Congressional Budget Office, and it has the unanimous support of the Committee on the District of Columbia. It is worthy of support from the entire House of Representatives, and I urge its passage.

Mr. DELLUMS. Mr. Speaker, I note there are no additional requests for time, and I move the previous question on the bill.

The previous question was ordered.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

GENERAL LEAVE

Mr. DELLUMS. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to revise and extend their remarks on the bill just passed.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from California?

There was no objection.

DISTRICT OF COLUMBIA REVENUE BOND ACT OF 1985

Mr. DELLUMS. Mr. Speaker, I ask unanimous consent to take from the Speaker's table the bill (H.R. 3718) to waive the period of congressional review the certain District of Columbia acts authorizing the issuance of revenue bonds with Senate amendments thereto, and concur in the Senate amendments.

The Clerk read the title of the bill.

The Clerk read the Senate amendments, as follows:

BEST COPY AVAILABLE

Page 2, strike out lines 20 to 23, inclusive.
Page 2, line 24, strike out "(3)" and insert "(2)".
Page 3, strike out lines 3 to 6, inclusive.
Page 3, after line 6, insert:

(3) The American University Revenue Bond Act of 1985 (Series A), District of Columbia act 6-111, transmitted to the Speaker of the House and the President of the Senate December 4, 1985.

(4) The George Washington University Revenue Bond Act of 1985 (Series A).

The provisions of subsections (a) and (b) shall not apply to the District of Columbia act described in clause (4) of this subsection unless such act is passed by the District of Columbia by December 31, 1985. If the District of Columbia act described in clause (4) is passed by the District of Columbia after the date of enactment of this Act but before January 1, 1986, the effective date of such act, notwithstanding subsection (b) of this section, shall be the date of passage by the District of Columbia.

Mr. DELLUMS. (during the reading). Mr. Speaker, I ask unanimous consent that the Senate amendments be considered as read and printed in the RECORD.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from California?

Mr. BLILEY. Mr. Speaker, reserving the right to object, I do so to ask the gentleman [Mr. Dellums] to explain the amendment, and I yield to the gentleman from California [Mr. Dellums] for that purpose.

Mr. DELLUMS. I thank my distinguished colleague for yielding.

First, Mr. Speaker and Members of the House, the purpose of bill H.R. 3781, which passed the House several weeks ago was to waive the 30-day congressional review period required by section 602(c)(1) of the District of Columbia Self-Government and Governmental Reorganization Act, euphemistically referred to as the Home Rule Act, for certain acts passed by the District of Columbia which authorized the issuance of revenue bonds.

Further, I would say to my colleague, the District of Columbia acts authorizing the issuance, sale, and delivery of revenue bonds referred to are as follows: the Georgetown University Higher Education Facilities Revenue Bond Act of 1985, the George Washington University Revenue Bond Act of 1985, Sibley Memorial Hospital Revenue Bond Act of 1985, and finally, the Washington Hospital Center Corporation Revenue Bond Act of 1985.

Those were the four issuances that passed the House of Representatives. The Senate amendment took out two of the bond issuances that passed the House that have now already become law as a result of time. They are specifically the George Washington University Revenue Bond Act of 1985, District of Columbia Act 6-76, and also the Washington Hospital Center Corporation Revenue Bond Act of 1985, District of Columbia Act 6-92.

So those two were deleted.

What the Senate included as their amendments were two additional issuances: George Washington University Bond Issuance, 1985, D.C. 6114, and American University Issuance D.C. 6112.

So to summarize, the House of Representatives asked to waive the 30-day congressional review period for the purposes of the issuance of four bonds, two of them have now become law. What the Senate bill simply did was to strike the two that have already become law, leave the two that passed the House, and added the two that the gentleman just referred to.

The recommendation of this side of the aisle is that we accept the Senate amendments and concur in the Senate amendments.

Mr. BLILEY. Mr. Speaker, further reserving the right to object, the minority fully supports, the bill and the Senate amendments, and I withdraw my reservation.

Mr. WALKER. Mr. Speaker, reserving the right to object, do I understand that the unanimous consent is for consideration only and that the question will be put on the bill?

The SPEAKER pro tempore. This is a unanimous-consent request to concur in the Senate amendments.

Mr. WALKER. Further reserving the right to object, Mr. Speaker, the original motion of the gentleman, was it for consideration?

The SPEAKER pro tempore. The original request of the gentleman was to concur in the Senate amendments. The request immediately pending is to waive further reading and to consider the Senate amendments as having been read.

Mr. WALKER. Further reserving the right to object, I wonder if the gentleman could revise his motion to allow unanimous consent for consideration so that we do not have to go through a rules process but would do so in a way that the Chair can, in fact, put the question on the legislation.

BEST COPY AVAILABLE

The SPEAKER pro tempore. The Chair would state that if the reservations are withdrawn, all that is agreed to at this moment is that the Senate amendment be considered as read. Later the Chair will ask if there is objection to the gentleman's request to.

Mr. WALKER. I thank the Chair. I understand the position we are in, and I certainly do not have any objection to the situation of no further reading. What I am seeking to do is to get a vote on the final passage of the resolution, and that would evidently demand a little different. I do not want to stand in the way. I intend to vote for the legislation. But I would like to do it with a record vote at this point in the evening.

So if the gentleman [Mr. Dellums] could modify his request so that when we get to that point, the Chair puts the question on the legislation.

Mr. DELLUMS. Mr. Speaker, will the gentleman yield?

Mr. WALKER. Under my reservation, I yield to the gentleman from California.

Mr. DELLUMS. This gentleman understands what our unanimous consent request is. The gentleman is not in opposition to it. What the gentleman is attempting to do is simply bringing the Members of the body over here and using the vehicle of a rollcall vote in order to do it. This gentleman has no objection to that.

Mr. WALKER. The gentleman is correct.

Mr. Speaker, I withdraw my reservation to the pending unanimous consent request and then will assume that the gentleman will make a different unanimous consent request to the one which he made in the first instance.

The SPEAKER pro tempore. The gentleman withdraws his reservation of objection?

Mr. WALKER. Mr. Speaker, I withdraw my reservation of objection.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from California?

The Chair reads no objection to dispensing with further reading of the Senate amendments.

Now the gentleman from Pennsylvania apparently desires a recorded vote. The Chair would advise that one of two things might occur. The gentleman from California might withdraw his initial request and ask unanimous consent for immediate consideration of the Senate amendment in the House.

Mr. DELLUMS. Mr. Speaker, I would amend my request to reflect the recommendation of the Speaker.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from California?

There was no objection.

The SPEAKER pro tempore. Does the gentleman now move to concur in the Senate amendments?

Mr. DELLUMS. I so move, Mr. Speaker.

The SPEAKER pro tempore. The question is on the motion offered by the gentleman from California [Mr. Dellums] to concur in the Senate amendments.

The question was taken, and the Speaker pro tempore announced that the ayes appeared to have it.

Mr. WALKER. Mr. Speaker, I object to the vote on the ground that a quorum is not present and make the point of order that a quorum is not present.

The SPEAKER pro tempore. Evidently a quorum is not present.

The Sergeant at Arms will notify absent Members.

The vote was taken by electronic device; and there were—yeas 344, nays 3, answered "present" 2, not voting 85, as follows:

[Roll No. 378]

YEAS—344

Akaka	Barton	Boggs
Anderson	Bateman	Boner (TN)
Andrews	Bates	Bonior (MI)
Annunzio	Bedell	Bonker
Anthony	Beilenson	Borski
Applegate	Bennett	Bosco
Archer	Bentley	Boucher
Armey	Bereuter	Boulter
AuCoin	Berman	Breaux
Badham	Bilirakis	Brooks
Barnes	Bliley	Brown (CA)
Bartlett	Boehlert	Brown (CO)

BEST COPY AVAILABLE

Broyhill
Bruce
Bryant
Burton (CA)
Burton (IN)
Bustamante
Byron
Callahan
Campbell
Carney
Carper
Carr
Chandler
Chappell
Chappie
Coats
Cobey
Coble
Coelho
Coleman (MO)
Collins
Combest
Conte
Cooper
Courter
Coyne
Craig
Crane
Dannemeyer
Darden
Daschle
Daub
de la Garza
DeLay
Dellums
Derrick
DeWine
Dingell
DioGuardi
Donnelly
Dorgan (ND)
Dornan (CA)
Downey
Dreier
Duncan
Durbin
Dwyer
Dymally
Dyson
Eckart (OH)
Eckert (NY)
Edgar
Edwards (CA)
Edwards (OK)
Emerson
English
Erdreich
Evans (IA)
Evans (IL)
Fascell
Fawell
Fazio
Feighan
Fiedler
Fields
Fish
Foglietta
Foley
Ford (TN)
Fowler
Frank
Frenzel
Gallo
Gejdenson
Gekas
Gilman
Gingrich
Glickman
Gonzalez
Goodling
Gradison
Gray (PA)
Grotberg
Guarini
Gunderson
Hall (OH)
Hall, Ralph
Hamilton
Hammerschmidt
Hansen
Hartnett
Hatcher
Hawkins
Hayes
Henry
Hertel
Hiler
Holt
Hopkins
Horton
Howard
Hoyer
Hubbard
Huckaby
Hughes
Hunter
Hutto
Hyde
Ireland
Jacobs
Jeffords
Jenkins
Johnson
Jones (NC)
Jones (OK)
Jones (TN)
Kanjorski
Kasich
Kastenmeier
Kemp
Kennelly
Kildee
Kolbe
Kostmayer
Kramer
Lagomarsino
Lantos
Latta
Leath (TX)
Leland
Lent
Levin (MI)
Levine (CA)
Lewis (CA)
Lewis (FL)
Lightfoot
Livingston
Lloyd
Long
Lott
Lowery (CA)
Lowry (WA)
Lujan
Luken
Lundine
Lungren
Mack
MacKay
Madigan
Manton
Markey
Martin (IL)
Martin (NY)
Matsui
Mavroules
Mazzoli
McCain
McCandless
McCollum
McCurdy
McDade
McEwen
McHugh
McKernan
McMillan
Meyers
Michel
Mikulski
Miller (OH)
Miller (WA)
Mineta
Mitchell
Moakley
Molinari
Mollohan
Montgomery
Moody
Moore
Moorhead
Morrison (WA)
Mrazek
Murtha
Myers
Natcher
Neal
Nelson
Nielson
Nowak
O'Brien
Oakar
Oberstar
Ortiz
Owens
Oxley
Packard
Parris
Pease
Penny
Pepper
Perkins
Pickle

BEST COPY AVAILABLE

Porter
Pursell
Rahall
Rangel
Ray
Regula
Reid
Ridge
Rinaldo
Ritter
Roberts
Robinson
Rodino
Roe
Roemer
Rogers
Rose
Rostenkowski
Roth
Roukema
Rowland (CT)
Rowland (GA)
Sabo
Savage
Saxton
Schaefer
Scheuer
Schneider
Schroeder
Schuette
Schulze
Schumer
Sensenbrenner
Shaw
Shelby
Shumway
Shuster
Sikorski
Siljander
Sisisky
Skeen
Skelton
Slattery
Slaughter
Smith (FL)
Smith (IA)
Smith (NE)
Smith (NJ)
Smith, Denny (OR)
Smith, Robert (NH)
Smith, Robert (OR)
Snowe
Snyder
Solarz
Spence
Spratt
St Germain
Staggers
Stallings
Stangeland
Stark
Stenholm
Strang
Stratton
Studds
Sundquist
Sweeney
Swift
Swindall
Synar
Tallon
Tauke
Tauzin
Taylor
Thomas (CA)
Thomas (GA)
Torres
Torricelli
Towns
Traficant
Udall
Valentine
Vander Jagt
Vento
Visclosky
Volkmer
Vucanovich
Walgren
Walker
Waxman
Weber
Weiss
Wheat
Whitley
Whittaker
Wilson
Wise
Wolf
Wolpe
Wortley
Wright
Wyden
Yatron
Young (AK)

NAYS—3

Rudd
Solomon
Stump

ANSWERED "PRESENT"—2

Gephardt
Obey

NOT VOTING—85

Ackerman
Addabbo
Alexander
Aspin
Atkins
Barnard
Bevill
Biaggi
Boland
Boxer
Broomfield
Chapman
Cheney
Clay
Clinger
Coleman (TX)
Conyers
Coughlin
Crockett
Daniel
Davis
Dickinson
Dicks
Dixon
Dowdy
Early
Flippo
Florio
Ford (MI)
Franklin
Frost
Fuqua
Garcia
Gaydos
Gibbons
Gordon
Gray (IL)
Green
Gregg
Hefner
Heftel
Hendon
Hillis
Kaptur
Kindness
Kolter
LeFalce
Lehman (CA)
Lehman (FL)
Lipinski
Loeffler
Marlenee
Martinez
McGrath
McKinney
Mica
Miller (CA)
Monson
Morrison (CT)
Murphy
Nichols
Olin
Panetta
Pashayan
Petri
Price

BEST COPY AVAILABLE

Quillen	Traxler	Wylie
Richardson	Watkins	Yates
Roybal	Weaver	Young (FL)
Russo	Whitehurst	Young (MO)
Seiberling	Whitten	Zschau
Sharp	Williams	
Stokes	Wirth	

Mr. STUMP and Mr. RUDD changed their votes from "yea" to "nay."

So the motion was agreed to.

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

GENERAL LEAVE

Mr. DELLUMS. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days within which to revise and extend their remarks on the motion just agreed to.

The SPEAKER pro tempore (Mr. Wright). Is there objection to the request of the gentleman from California?

There was no objection.

○

BEST COPY AVAILABLE